

TWO SECTIONS—SECTION TWO

The Commercial & Financial Chronicle

OCT 15 1917
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AMERICAN BANKERS' CONVENTION SECTION

GIVING PROCEEDINGS OF THE

Convention of American Bankers' Association

Held at Atlantic City, September 25, 26, 27 and 28, 1917.

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October 13, 1917

WILLIAM B. DANA COMPANY, PUBLISHERS,

FRONT, PINE & DEPEYSTER STS., NEW YORK.

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GIRARD TRUST COMPANY

PHILADELPHIA, PA.

CHARTERED 1836

CAPITAL AND SURPLUS, \$10,000,000

**Acts as Executor, Trustee, Guardian, Administrator, Assignee
and Receiver, also as Depositary under Plans of
Reorganization, and as Financial Agent
for Individuals or Corporations.**

**Assumes entire charge of Real Estate. Allows Interest on
Deposits, and Rents Safes in Burglar-Proof Vaults.**

E. B. MORRIS, President

1812

1917

THE
PENNSYLVANIA COMPANY
for Insurances on Lives and Granting Annuities
TRUST AND SAFE DEPOSIT COMPANY

Capital and Surplus - - - - \$7,000,000

C. S. W. PACKARD, President

BROAD STREET OFFICE
Chestnut and Juniper Streets

517 Chestnut Street
Philadelphia

Wm. A. Read & Co.

Nassau and Cedar Streets

New York

United States and Canadian Municipal
Bonds, Railroad Bonds and other
Investment Securities. List of Current
Offerings upon application

CHICAGO PHILADELPHIA BOSTON LONDON, E.C.
234 So. La Salle Street 1421 Chestnut Street 19 Congress Street 6 Austin Friars

THE CHASE NATIONAL BANK

OF THE CITY OF NEW YORK

57 Broadway

Capital	- - - - -	\$10,000,000
Surplus and Profits (Earned)	- - - - -	12,623,000
Deposits (Sept. 11, 1917)	- - - - -	302,027,000

OFFICERS

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GEORGE H. SAYLOR, Asst. Cashier
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S. FRED TELLEEN, Asst. Cashier
ROBERT I. BARR, Asst. Cashier

SEWALL S. SHAW, Asst. Cashier

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A. BARTON HEPBURN
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FRANK A. SAYLES
CHARLES M. SCHWAB
SAMUEL H. MILLER

EDWARD R. TINKER
HENRY B. ENDICOTT
EDWARD T. NICHOLS
NEWCOMB CARLTON
FREDERICK H. ECKER

We Receive Accounts of

Banks, Bankers, Corporations, Firms or Individuals on favorable terms, and shall be pleased to meet or correspond with those who contemplate making changes or opening new accounts.

FOREIGN EXCHANGE DEPARTMENT

U. S. Army or Navy Red Cross or Y. M. C. A.

Letters of Credit are the safest and most convenient medium for carrying funds.

During the war we are issuing such Credits, *free of commission*, to officers and men in the U. S. Army and Navy, and to those engaged in Red Cross or Y. M. C. A. work.

We have also sent our American representative to France for the convenience of our friends, with headquarters at the office of the Credit Commercial de France, 20 Rue Lafayette, Paris

BROWN BROTHERS & CO.

Philadelphia NEW YORK Boston

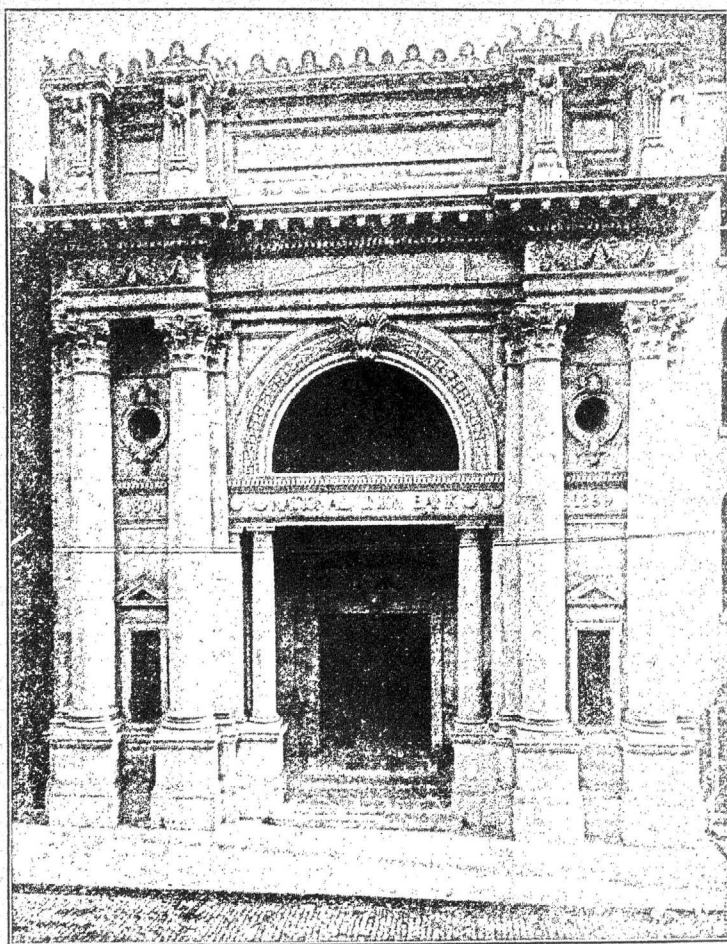
BROWN, SHIPLEY & COMPANY

Founders Court, Lothbury 123 Pall Mall
LONDON, F. C. LONDON, S. W.

THE NATIONAL UNION BANK OF MARYLAND

AT BALTIMORE, MARYLAND

Capital, \$1,000,000 Surplus and Undivided Profits, \$670,764.58



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S. STERETT MCKIM, Cashier

WALTER W. PEERS, Assistant Cashier

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R. BRENT KEYSER, President Board of Trustees Johns Hopkins University.

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EDWARD P. GILL, of William D. Gill & Son, Inc., Lumber Merchants

R. CURZON HOFFMAN, JR., of R. C. Hoffman & Co., Iron, Steel and Railway Supplies.

JOHN H. MORGAN, Attorney-at-Law

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Excellent connections for collecting items on Southern Atlantic Coast Cities and States, at rates depending upon balances maintained by correspondents with us.



To Somewhere in Europe on "A. B. A." American Bankers Association Cheques

For many years "A.B.A." Cheques, like the magic carpet of Arabian Nights fame, have been carrying Americans safely and comfortably to Europe and other countries on errands of pleasure and business. Now these Cheques are carrying Americans to Europe on another kind of errand—*fighting* for the safety of American democracy and world democracy.

The men who are going abroad to fight our country's and humanity's battles should be spared all unnecessary worries and annoyances. Those who are provided with "A.B.A." Cheques will be assured of money comforts and freedom from money worries, whatever other hardships they may encounter.

"A.B.A." Cheques can be used in any country where military plans may take our fighting men, because they are international in character and do not have to be converted into the coin or currency of any foreign country. In the United States and Canada they are like so many dollars; in the United Kingdom and British colonies like so many pounds, shillings and pence; in France so many francs, and so on. Think what a saving in money changers' fees, in delays and other annoyances this will mean to the American army and navy men in Europe. The officers of both arms of the service are supplying themselves with these

Cheques as a matter of course; those who have the comfort of the rank and file at heart will see to it that they also are provided with the "handiest, safest travel money."

"A.B.A." Cheques may be obtained at the principal banks in thousands of cities and towns throughout the United States and Canada. In London, from Morgan, Grenfell & Co., and from Lloyd's Bank; in Paris, from Morgan, Harjes & Co. They may be had at most of the branches of the International Banking Corporation in the principal cities of the world.

They are issued in four denominations—\$10, \$20, \$50 and \$100. Each cheque bears the printed equivalent that the purchaser should receive in various countries, but owing to the present disruption in the exchange markets, new equivalents, of advantage to the purchaser, have been agreed upon, and such equivalents are either stamped on the cheque or printed on separate sheets, issued with each purchase of cheques.

Persons buying "A.B.A." Cheques for use abroad should ask the selling bank for information in regard to the new foreign equivalents above mentioned.

BANKERS TRUST CO. NEW YORK CITY

Downtown Office
16 Wall Street

Astor Trust Office
Fifth Avenue at 42nd Street

The Union Trust Company of Pittsburgh

PENNSYLVANIA

CAPITAL, SURPLUS AND UNDIVIDED PROFITS

\$36,000,000.00

Transacts a General Banking and
Trust Company Business

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ANDREW W. MELLON..... Vice President
JAMES M. SCHOONMAKER..... Vice President
SCOTT HAYES..... Treasurer
J. HARVEY EVANS..... Assistant Treasurer
JOHN A. IRWIN..... Secretary
JAMES S. CARR..... Assistant Secretary
WILLIAM WYLIE SMITH..... Assistant Secretary
WILLIAM A. ROBINSON..... Assistant Secretary
WILLIAM I. BERRYMAN..... Trust Officer
CARROLL P. DAVIS..... Assistant Trust Officer
SIDNEY S. LIGGETT, Manager Bond Department

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PHILANDER C. KNOX	DAVID A. REED
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J. MARSHALL LOCKHART	JAMES M. SCHOONMAKER
GEORGE E. SHAW	

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WE have specialized for over twenty years in the handling of public utility securities of companies operating in growing centers of the United States

We are active also in the origination of investment business in the industrial field

We finance properties and supervise their operations

We offer to banking houses entire issues of mortgage bonds, short term notes and preferred stocks

We give particular attention to the investment requirements of institutions and private investors

Our aim is service leading up to transactions of mutual advantage, and to that end we place at the disposal of dealers, institutions and investors our numerous facilities.

BERTRON, GRISCOM & CO.

40 Wall Street
NEW YORK

Land Title Building
PHILADELPHIA

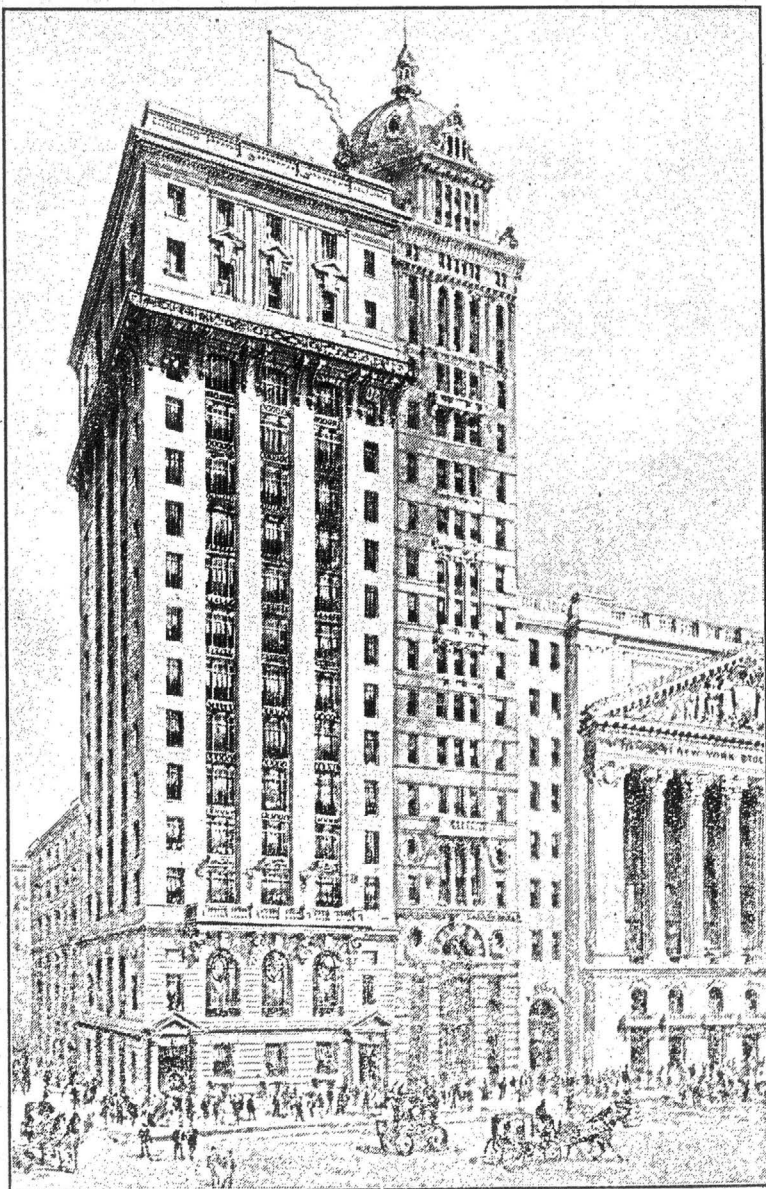
Incorporated 1889

The New York Trust Company

26 BROAD STREET

CAPITAL = = = = = \$3,000,000

SURPLUS and PROFITS 11,650,000



Trustees

OTTO T. BANNARD
S. READING BERTRON
JAMES A. BLAIR
MORTIMER N. BUCKNER
JAMES C. COLGATE
ALFRED A. COOK
ROBERT W. de FOREST
JOHN B. DENNIS
PHILIP T. DODGE
GEORGE DOUBLEDAY
BENJAMIN S. GUINNESS
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F. N. HOFFSTOT
FREDERIC B. JENNINGS
WALTER JENNINGS
JOHN C. McCALL
OGDEN L. MILLS
JOHN J. MITCHELL
JAMES PARMELEE
HENRY C. PHIPPS
E. PARMALEE PRENTICE
EDMUND D. RANDOLPH
NORMAN P. REAM
DEAN SAGE
JOSEPH J. SLOCUM
JOHN W. STERLING
JAMES STILLMAN
MYLES TIERNEY

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MORTIMER N. BUCKNER, President

FREDERICK J. HORNE, Vice-President

JAMES DODD, Vice-President

CHARLES E. HAYDOCK, Vice-President

HERBERT W. MORSE, Secretary

HARRY FORSYTH, Treasurer

H. WALTER SHAW

ARTHUR S. GIBBS

JOSEPH A. FLYNN

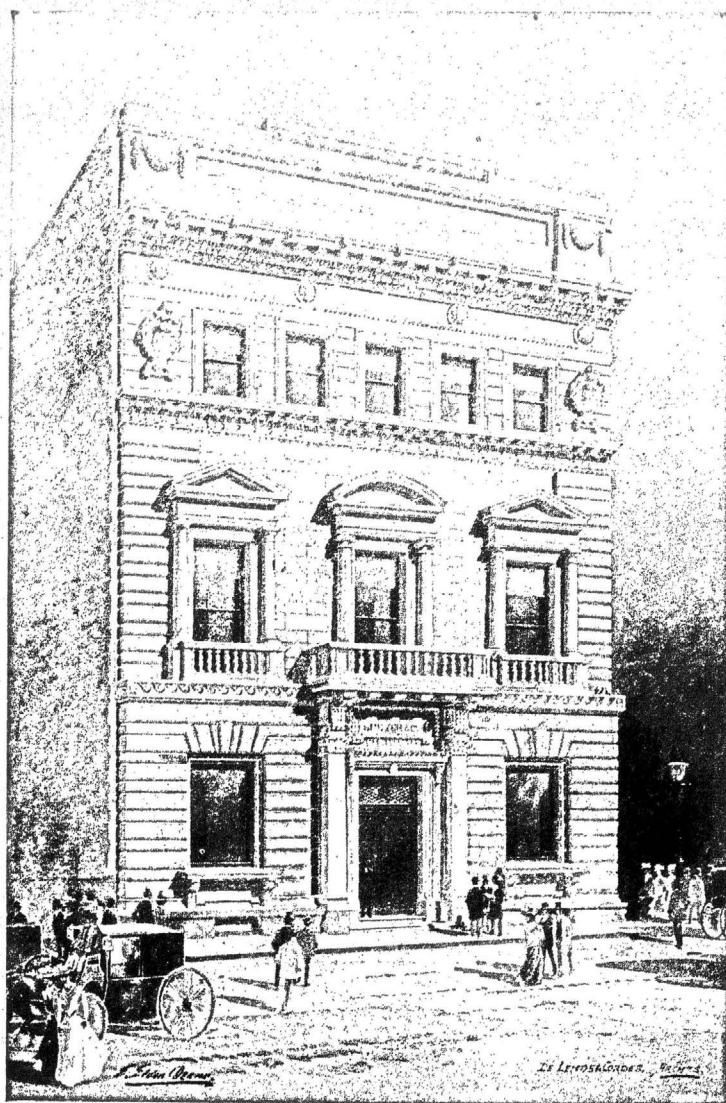
AUGUSTUS C. DOWNING, JR.

} Assistant Secretaries

MEMBER OF
THE NEW YORK CLEARING HOUSE ASSOCIATION

SPEYER & CO.

ESTABLISHED 1837



NEW YORK

CHARTERED 1864

UNION TRUST COMPANY

OF NEW YORK

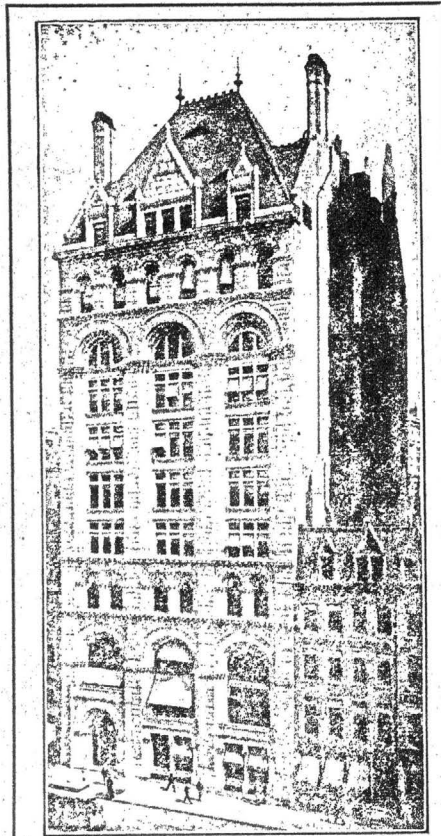
MAIN OFFICE, 80 BROADWAY

Plaza Branch:

786 Fifth Avenue
Corner
60th Street

Fifth Avenue
Branch:

425 Fifth Avenue
Corner
38th Street



MAIN OFFICE, 80 BROADWAY.

Capital

\$3,000,000.00

Surplus

\$5,530,729.01

Total Resources

\$97,336,489.31

Authorized to act as Executor, Administrator, Guardian, Receiver or Trustee, and is a Legal Depository for funds of every description

Acts as Trustee of Mortgages of Corporations, and accepts the transfer agency and registry of stock

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D. ALTON ROWE, Asst. Secretary
ERNEST H. COOK, Asst. Secretary Plaza Branch

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CARROLL C. RAWLINGS, Vice-President and Trust Officer
BENJAMIN A. MORTON, Asst. Trust Officer
T. W. HARTSHORNE, Assistant Secretary
EDMUND P. ROGERS, Asst. Secretary
CHARLES W. PARSON, Asst. Secretary Fifth Avenue Branch

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AUGUSTUS W. KELLEY
CHARLES H. TWEED
WILLIAM WOODWARD
JOHN V. B. THAYER
WALTER P. BLISS

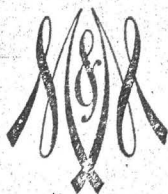
FREDERIC deP. FOSTER
JAMES GORE KING
EDWIN G. MERRILL
M. ORME WILSON
V. EVERIT MACY
WM. H. NICHOLS, JR.
ERNEST ISBLIN

RICHARD DELAFIELD
FRANCIS M. WELD
J. Y. G. WALKER
JAMES BROWN
CORNELIUS VANDERBILT
JOHNSTON DE FOREST

THE MECHANICS AND METALS NATIONAL BANK

of the City of New York

Established 1810



Capital, Surplus and Undivided Profits, \$16,000,000

Deposits, (Sept. 11, 1917) \$187,000,000

OFFICERS

GATES W. MCGARRAH, *President*

Vice-Presidents

JOHN McHUGH
FRANK O. ROE

WALTER F. ALBERTSEN
HARRY H. POND

SAMUEL S. CAMPBELL

JOSEPH S. HOUSE, *Cashier*

Assistant Cashiers

JOHN ROBINSON
ERNEST W. DAVENPORT

ARTHUR M. AIKEN
WILLIAM E. LAKE

ALEXANDER F. BRYAN, *Auditor*

NORTH McLEAN, *Manager, Foreign Department*

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are completely equipped to handle the business of correspondents in a thorough and efficient manner.

Banks, Bankers, Corporations, Firms and Individuals are invited to establish relations with us.

NEW YORK LIFE INSURANCE and TRUST COMPANY

CHARTERED
IN 1830



52 Wall Street
New York

Grants annuities. Accepts Trusts created by Will or otherwise. Manages property as Agent for the owners. Allows interest on deposits payable after ten days' notice. Legal Depository for Executors, Trustees and Money in Suit.

Accepts only Private Trusts and declines all Corporation or other Public Trusts

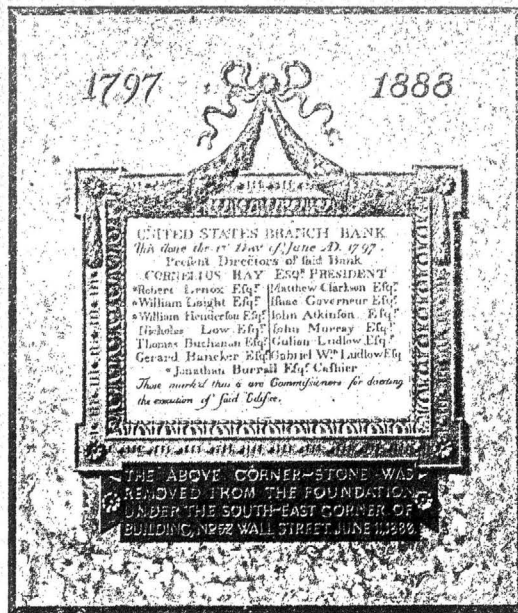
WALTER KERR, President

HENRY PARISH, Jr., 1st Vice-President
ZEGER W. van ZELM, 2nd Vice-President
S. M. B. HOPKINS, 3d Vice-President
IRVING L. ROE, Secretary

J. LOUIS van ZELM, Asst. Secretary
JOHN C. VEDDER, Asst. Secretary
ALGERNON J. PURDY, Asst. Secretary
WILLIAM B. AUSTIN, Asst. Secretary

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Frederic W. Stevens
Stuyvesant Fish
Edmund L. Baylies
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Columbus O'D. Iselin
W. Emlen Roosevelt
Augustus D. Juilliard
Henry Lewis Morris
Cleveland H. Dodge
Thomas Denny
Lincoln Cromwell
Paul Tuckerman



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Howard Townsend
Eugene Delano
Alfred E. Marling
Moses Taylor
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Edward J. Hancy
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Nicholas Biddle
William M. Cruikshank
Stephen P. Nash
Lewis Spencer Morris
Joseph H. Choate, Jr.

CORNER-STONE OF THE OLD UNITED STATES BRANCH BANK
as mounted in the Office of the New York Life Insurance and Trust Company

STATEMENT

Made to the Banking Department of the State of New York at the close of business on September 8, 1917

ASSETS		LIABILITIES	
Real Estate.....	\$2,238,995.69	Capital Stock.....	\$1,000,000.00
Bonds and Mortgages.....	3,388,137.73	Surplus Fund and Undivided Profits	
Loans on Collaterals.....	1,968,211.81	(Market Value).....	3,472,296.31
Bills Receivable.....	11,085,333.53	Deposites in Trust.....	32,050,204.47
Cash in Company's Vaults.....	2,500,050.00	Life Insurance Fund.....	360,996.42
Cash on Deposit.....	1,060,570.57	Annuity Fund.....	2,345,393.71
Accrued Int., Rents, Suspense Acct., &c..	676,764.20	Interest Due Depositors, Taxes, &c.....	916,569.46
Bonds and Stocks (Market Value).....	17,227,396.84		
	<u>\$40,145,460.37</u>		<u>\$40,145,460.37</u>

Clark, Dodge & Co.

—ESTABLISHED 1847—

Dealers in Bonds suitable for National and State Banks, Insurance Companies, Estates and individuals.

Specialize in Bonds of the highest grade, legal for Postal Savings funds, Savings Banks and Trustees.

Statistical information furnished to institutions and investors.

Negotiate security issues of Railroad, Public Utility and Industrial Corporations, and act as fiscal agents.

51 Wall Street, New York

GHANDLER & COMPANY

INCORPORATED

35 PINE ST., NEW YORK

FRANKLIN BANK BLDG., PHILADELPHIA

185 DEVONSHIRE ST., BOSTON

Government Loans, Municipal and

Railroad Securities

High Grade Industrials

Securities Corporation General

FRANKLIN BANK BLDG., PHILADELPHIA

35 PINE STREET, NEW YORK

Authorized Capital

\$10,000,000.

Issued

\$5,021,875.

Deals and invests in public service securities

Participates in security underwritings

Finances public service enterprises

DIRECTORS

CALDWELL HARDY, Norfolk, Va.

F. W. ROEBLING, Jr., Trenton, N. J.

ALEXANDER J. HEMPHILL, New York

F. W. BACON, Philadelphia

HOWARD A. LOEB, Philadelphia

J. G. WHITE, New York

S. Z. MITCHELL, New York

P. M. CHANDLER, Philadelphia

FERGUS REID, Norfolk, Va.

F. T. CHANDLER, Philadelphia

GEO. W. ROBERTSON, Shamokin, Pa.

PARMLEY W. HERRICK, Cleveland, O.

J. K. TRIMBLE, Philadelphia

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of
**Standard Municipal, Railroad
and Public Utility Bonds**

with their current prices will be sent
regularly to those asking to have
their names placed on our mailing list.

A. B. Leach & Co., Inc.

Investment Securities

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105 So. La Salle Street, Chicago

Philadelphia

Boston

Buffalo

Baltimore

Minneapolis

St. Louis

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A National Organization

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We give personal attention to the requirements of each individual investor. Write or call for our latest general Circular C. R. 400.

THE NATIONAL CITY COMPANY

National City Bank Building, New York

CORRESPONDENT OFFICES

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1421 Chestnut St.

PITTSBURGH, PA.
Farmers Bank Bldg.

WILKES-BARRE, PA.
Miners Bank Bldg.

KANSAS CITY, MO.
Republic Bldg.

DENVER, COLO.
First Natl. Bank Bldg.

BOSTON, MASS.
10 State Street

ALBANY, N. Y.
Ten Eyck Bldg.

BALTIMORE, MD.
Munsey Bldg.

BUFFALO, N. Y.
Marine Bank Bldg.

SEATTLE, WASH.
Hoge Bldg.

LONDON, E. C. 2 ENG., 36 Bishopsgate

CHICAGO, ILL.
137 So. La Salle St.

NEW ORLEANS, LA.
303 Baronne St.

CLEVELAND, OHIO
Guardian Bldg.

ST. LOUIS, MO.
Bank of Commerce Bldg.

PORTLAND, ORE.
Railway Exchange Bldg.

SAN FRANCISCO, CAL.
424 California St.

LOS ANGELES, CAL.
Hibernian Bldg.

DETROIT, MICH.
Dime Bank Bldg.

WASHINGTON, D. C.
741 15th St., N. W.

MINNEAPOLIS, MINN.
McKnight Bldg.

W. T. Rickards Co., Inc.

Commercial Paper **CHICAGO**

The Rookery, 209 So. La Salle St.

Correspondent	Correspondent	Correspondent
BLAKE BROTHERS & CO. NEW YORK & BOSTON	Mc CLUNEY & CO. ST. LOUIS	LANE, PIPER & JAFFRAY, (Inc.) MINNEAPOLIS

44 Wall St.
NEW YORK

111 Devonshire St.
BOSTON

Blake Brothers & Co.

Commercial Paper **STOCKS and BONDS**

Members of New York and Boston Stock Exchanges

Correspondent	Correspondent	Correspondent
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Mc Cluney & Company

Commercial Paper **ST. LOUIS**

300 North Broadway

Correspondent	Correspondent	Correspondent
LANE, PIPER & JAFFRAY, (Inc.) MINNEAPOLIS	W. T. RICKARDS CO. CHICAGO	BLAKE BROTHERS & CO. NEW YORK & BOSTON

Lane, Piper & Jaffray, Inc.

Commercial Paper **MINNEAPOLIS**

835 First National—Soo Line Building

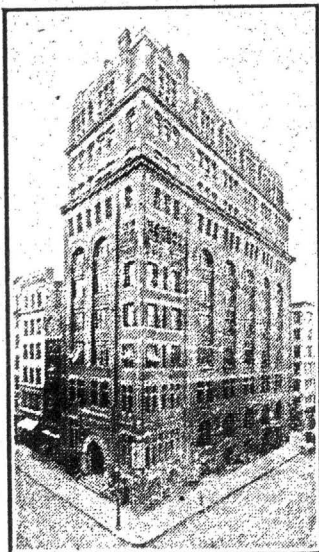
Correspondent	Correspondent	Correspondent
W. T. RICKARDS CO. CHICAGO	BLAKE BROTHERS & CO. NEW YORK & BOSTON	Mc CLUNEY & CO. ST. LOUIS

THE MARKET AND FULTON NATIONAL BANK OF NEW YORK

Organized 1852

Capital and Surplus
\$3,000,000

Resources Over Sixteen Million Dollars



ALEXANDER GILBERT
Chairman of the Board

ROBERT A. PARKER
President

WM. M. ROSENDALE
Cashier

ALBERT D. BERRY
Assistant Cashier

FOR sixty-five years this institution has had a steady, conservative, profitable growth, enjoying to the fullest extent the confidence and good will of the business community. Its reputation, resources and facilities are at your service.

TAYLOR, DODGE & ROSS

Investment Bankers

We specialize in Public Utility Bonds
Offerings and prices submitted upon request
Short term securities and listed bonds
taken in exchange at market

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Phone Randolph 6030



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A. H. Bickmore & Co.

111 Broadway, N. Y.

R. C. MEGARGEL & Co.

MEMBERS NEW YORK STOCK EXCHANGE

INVESTMENT SECURITIES

27 PINE STREET

NEW YORK

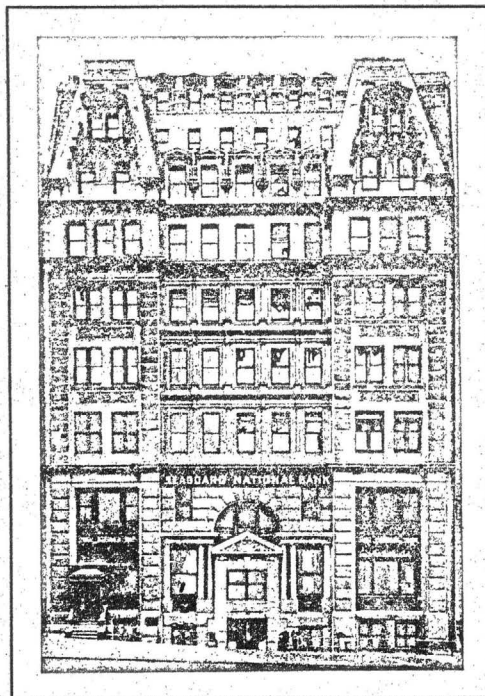
SEABOARD NATIONAL BANK

OF THE CITY OF NEW YORK

CAPITAL
\$1,000,000

SURPLUS and PROFITS
(EARNED)
\$3,325,000

DEPOSITS
\$57,000,000



S. G. BAYNE, . . . President
C. C. THOMPSON, . . . Vice-President
B. L. GILL, . . . Vice-President
W. K. CLEVERLEY, . . . Vice-President
L. N. DEVAUSNEY, . . . Vice-President
H. W. DONOVAN, . . . Cashier
O. M. JEFFERDS, . . . Asst. Cashier
C. C. FISHER, . . . Asst. Cashier
J. D. SMITH, . . . Asst. Cashier
B. I. DADSON, . . . Asst. Cashier
J. E. ORR, . . . Asst. Cashier

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WILLIAM K. CLEVERLEY, Vice-President
EDWARD J. CORNISH, President National Lead Co.
MICHAEL J. DEGNON, President Degnon Contracting Co.
HENRY C. FOLGER, President Standard Oil Co. of New York
BENNETT L. GILL, Vice-President
EDW. H. R. GREEN, President Texas Midland Railroad
PETER McDONNELL, General Agent, Transatlantica Italiana S.S. Co.
STUART G. NELSON
JOSEPH SEEP, President South Penn Oil Co.
CHARLES C. THOMPSON, Vice-President
WILLIAM H. WOODIN, President American Car & Foundry Co.

WE INVITE YOUR ACCOUNT

Emerson McMillin & Co. BANKERS

120 Broadway :: :: New York City

D. R. FRANCIS
T. H. FRANCIS
J. D. P. FRANCIS

D. R. FRANCIS, JR.
C. H. HIEMENZ
T. T. FRANCIS

FRANCIS, BRO. & CO.

(Established 1877)

INVESTMENT SECURITIES

MUNICIPAL, RAILROAD, CORPORATION

BONDS

MEMBERS NEW YORK, CHICAGO, ST. LOUIS STOCK EXCHANGES

214 NORTH FOURTH STREET

ST. LOUIS, Mo.

EVERY month three of our directors, chosen alphabetically, serve on our Executive Committee with six other members of the Board, elected for one year. At least twice each year, therefore, every director takes an especially active part in passing upon the acts of the officers. And at the regular monthly meeting of the whole Board, every director reviews every transaction that has occurred since the last meeting. The directors of this institution really direct.

MERCANTILE Trust & Deposit Company

115 BROADWAY
NEW YORK

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President Mercantile Safe Deposit Co.
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Finan. & Foreign Mgr. Wells Fargo & Co.
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Kidder, Peabody Co., Bankers

Bank and Bankers' Acceptances

Bought and Sold

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ESTABLISHED 1857

19 Nassau Street

New York City

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Chicago Stock Exchange
New York Cotton Exchange
New York Coffee Exchange
New York Produce Exchange
New Orleans Cotton Exchange
Chicago Board of Trade
Minneapolis Chamber of Commerce
Winnipeg Grain Exchange
St. Louis Merchants Exchange
Salt Lake City Stock Exchange
Los Angeles Stock Exchange
Philadelphia Bourse

Associate Member of
Liverpool Cotton Association

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LOUIS V. STERLING
JAS. T. BRYAN
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NEW YORK

HOWARD H. LOGAN
FRANK C. HOLLINGER
J. J. BAGLEY
LOUIS N. STOTT
GEO. A. WEGENER
HARRY L. RENO

CHICAGO

LOGAN & BRYAN

New York, 113-115 Broadway
Chicago, 2 Board of Trade

Our Own Private Wires with Branch Offices and Correspondents
from the Atlantic to Pacific

ESTABLISHED 1888

Franklin Trust Company



Member of the New York Clearing House Association

With offices located in the financial centers of New York and Brooklyn this Company is amply qualified to handle collections in a prompt and satisfactory manner. We have a department especially equipped for collecting Brooklyn items and offer to out-of-town institutions the same efficient service which has proved so satisfactory to the large New York City banks who are now sending us their Brooklyn collections.

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CROWELL HADDEN

HENRY R. HAYES
GEORGE HEWLETT
ROBERT G. HUTCHINS, JR.
JAMES IMBRIE
JOHN H. ISELIN
MARTIN JOOST
A. LUDLOW KRAMER
R. WALTER LEIGH
WILLIAM G. LOW

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R. STUYVESANT PIERREPONT
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ARTHUR KING WOOD
WILLIAM G. LOW, JR., Chairman
of Executive Committee

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THORNTON GERRISH.....Vice-President
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ROBERT G. PEACE.....Assistant Secretary

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CLARENCE M. FINCKE.....Assistant Secretary
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A. L. BILLINGS.....Auditor
WILLIAM REIMERS, Manager Fulton Street Office
and Market Branch.

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In New York City's Financial District

46 WALL STREET
corner of William Street

In Brooklyn's Shopping Center

569 FULTON STREET
near Flatbush Avenue

In Brooklyn's Business and Financial District

166 MONTAGUE STREET
corner of Clinton Street

At Brooklyn's Market Entrance

1001 WALLABOUT MARKET
corner Washington and Flushing Avenues

CHAS. D. BARNEY & Co.

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NEW YORK CITY
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PHILADELPHIA
122 SOUTH FOURTH STREET

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WE INVITE INVESTMENT INQUIRIES ON INDIVIDUAL AND TRUSTEE ACCOUNTS
STOCKS AND BONDS PURCHASED, SOLD, AND CARRIED ON FAVORABLE TERMS

ESTABLISHED 1865

BIOREN & CO.

BANKERS

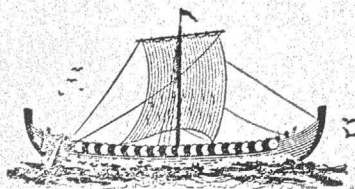
MUNICIPAL, RAILROAD and PUBLIC UTILITY SECURITIES

314 CHESTNUT STREET, PHILADELPHIA, PA.

Members New York and Philadelphia Stock Exchanges

SCANDINAVIAN TRUST COMPANY

56 Broadway New York



Condensed Statement September 8th, 1917

ASSETS		LIABILITIES	
Loans and Discounts.....	\$8,092,483.16	Capital	\$1,000,000.00
Bonds and Securities.....	1,432,721.88	Surplus	1,500,000.00
Cash on Hand and in Banks.....	1,810,605.45	Undivided Profits.....	35,653.03
Accrued Interest and Accounts		Reserved for Unearned Interest,	
Receivable	23,552.13	Taxes, etc.....	73,519.11
		Accrued Interest Payable.....	14,043.12
		Deposits	8,734,147.36
	\$11,359,362.62		\$11,359,362.62

OFFICERS

ALEXANDER V. OSTROM, PRESIDENT
 B. E. SMYTHE, VICE-PRESIDENT
 D. CARDOZO, ASST. SECRETARY
 T. BARTH, VICE-PRESIDENT

DIRECTORS

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KNUT BACHKE Andresens Bank, Christiania	S. E. DAHL Centralbanken for Norge, Christiania	EDWIN O. HOLTER Attorney
CHARLES E. BEDFORD Vice-Pres. Vacuum Oil Co.	W. EDWARD FOSTER Treas. Amer. Sugar Refining Co.	FREDERICK W. HVOSLEF Bennett, Hvoslef & Co.
JAMES F. BELL Vice-Pres. Washburn-Crosby Co.	SAMUEL L. FULLER Klissel, Kinnleutt & Company	N. BRUCE MACKELVIE Hayden, Stone & Company
JOHN E. BERWIND V.-Pres. Berwind-White Coal Mining Co.	EDWARD F. GEER Shipowner	ALEXANDER V. OSTROM President
R. R. BROWN First Vice-Pres. Amer. Surety Co.	CHARLES S. HAIGHT Haight, Sandford & Smith	BIRGER OSLAND Genl. West. Agt. Norwegian-Amer. Line
WILLIAM R. GOE Chairman, Johnson & Higgins		E. A. CAPPELEN SMITH Guggenheim Brothers

Started Business June 11, 1917

Commercial Trust Company of New Jersey

Capital, Surplus and Profits over \$3,500,000
 Assets over \$30,000,000

GENERAL BANKING AND TRUST BUSINESS. INTEREST PAID ON CHECK ACCOUNTS.
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JAMES G. MORGAN, Vice-President	CHARLES L. DECKER, Asst. Treasurer
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JAY S. PERKINS, Sec'y and Treas.	EDWARD HENN, Asst. Secretary
J. RICHARD TENNANT, Asst. Secretary	LYMAN H. OPDYCKE, Asst. Secretary

SAFE DEPOSIT VAULTS

THE ATLANTIC SAFE DEPOSIT & TRUST CO.

ATLANTIC CITY, N. J.



Capital, \$150,000.00

Surplus and Profits, \$500,000.00

TRANSACTS A GENERAL BANKING AND TRUST BUSINESS

Officers

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LEWIS EVANS Vice-President	JOS. B. SMITH Assistant Treasurer
M. D. YOUNGMAN Vice-President	

**COLUMBIA
TRUST
COMPANY**

Main Office, 60 Broadway
Uptown Office, Fifth Ave. & 34th St.

Harlem Branch, Lenox Ave. & 125th St.
Bronx Branch, Third Ave. & 148th St.

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CHARLES E. WOLFF, ASST. SECY.
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WILLARD C. MASON,
ASST. TRUST OFFICER
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VICE-PRES. & SECY.
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ROBERT I. CURRAN, ASST. TREAS.
WALTER G. KIMBALL, ASST. TREAS.
HOWARD E. RIDER, ASST. TREAS.
ARTHUR W. HUTCHINS, ASST. TREAS.

Statement of Condition Sept. 28, 1917

ASSETS		LIABILITIES	
Cash on hand.....	\$6,660,459.93	Capital Stock.....	\$5,000,000.00
Cash in Banks and Exchanges.....	10,111,021.35	Surplus and Undivided Profits.....	6,512,776.84
Public Securities.....	3,342,728.77	Deposits.....	96,819,363.32
Other Bonds and Stocks.....	7,400,327.84	Office Cheques.....	546,037.66
Loans and Bills Purchased.....	61,731,783.32	Reserved for Taxes and Dividend.....	354,304.63
Short Term Securities.....	6,764,429.77	Acceptances, Etc.....	4,007,587.08
Foreign Exchange.....	4,641,208.40	Accrued Interest Payable.....	283,216.84
New York City Mortgages.....	3,323,707.99		
Real Estate, Banking Houses.....	5,443,790.16		
Customers' Liability on Acceptance, Etc.....	4,007,587.08		
Accrued Interest Receivable.....	96,241.76		
	\$113,523,286.37		\$113,523,286.37

DIRECTORS

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President Best & Co.
HOWARD BAYNE
Vice-President of the Company
SAMUEL G. BAYNE
President Seaboard National Bank
A. CHESTER BEATTY
Consulting Engineer
UNION N. BETHELL
President New York Telephone Co.
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Redmond & Co., Bankers
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Colorado Springs, Colo.
NEWCOMB CARLTON
President Western Union Telegraph Co.

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Manager Hearst Estate
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HAROLD BENJAMIN CLARK
White, Weld & Co., Bankers
EDWARD CORNELL
Attorney at Law
MOREAU DELANO
Brown Brothers & Co., Bankers
JAMES M. GIFFORD
Attorney at Law
HENRY GOLDMAN
Goldman, Sachs & Co., Bankers
E. H. R. GREEN
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J. HORACE HARDING
Charles D. Barney & Co., Bankers
A. BARTON HEPBURN
Chairman Chase National Bank

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Attorney at Law
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WILLIAM A. TUCKER
Tucker, Anthony & Co., Bankers
FREDERICK W. WHITE
Peters, White & Company, Chemicals

No. 374

THE FIRST NATIONAL BANK
OF JERSEY CITY, N. J.

Capital, - - - - - \$400,000.00
Surplus and Undivided Profits, - \$1,318,159.35
Deposits, - - - - - \$12,364,429.68

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HENRY BROWN, Jr., Cashier JACOB R. WORTENDYKE, Asst. Cashier

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HATHAWAY, SMITH, FOLDS & CO.

45 Wall Street, New York

Commercial Paper

BOSTON
60 Congress Street

CHICAGO
208 South La Salle Street

ST. LOUIS
408 Olive Street

PHILADELPHIA
421 Chestnut Street

PITTSBURGH
First National Bank Bldg.

SAN FRANCISCO
1st Nat. Bank Bldg.

SEATTLE
L. C. Smith Building

CHELSEA EXCHANGE BANK

Main Office:
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Harlem Branch:
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WM. A. LOBB, Vice-Pres. and Cashier

WM. W. TAPPAN, Asst. Cashier

GEO. F. EWALD, Asst. Cashier

*DEPOSITORY STATE OF NEW YORK, CITY OF NEW YORK
LETTERS OF CREDIT, TRAVELERS CHECKS, FOREIGN EXCHANGE, MONEY ORDERS*

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GEO. H. BURR & CO.

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Investment Securities

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Philadelphia
Hartford

Chicago
St. Louis
Cleveland

San Francisco
Seattle
Portland

CHARTERED 1853

United States Trust Company of New York

45 and 47 WALL STREET

CAPITAL - - - - - \$2,000,000.00

SURPLUS AND UNDIVIDED PROFITS - \$14,681,081.00

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WM. M. KINGSLEY, Vice-President

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WILLIAMSON PELL, Asst. Secretary

CHARLES A. EDWARDS, 2d Asst. Secretary

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Frank Lyman
James Stillman
John J. Phelps
Lewis Cass Ledyard

Lyman J. Gage
Payne Whitney
Edward W. Sheldon
Chauncey Keep

Arthur Curtiss James
William M. Kingsley
William Stewart Tod
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New Netherland Bank OF NEW YORK

41 West 34th Street

Near Broadway

Our location and facilities enable us to handle the business of our correspondents efficiently and without loss of time.

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H. I. STEVENS, Asst. Cashier

Interest Allowed on Non-Borrowing, Inactive and Trustee Accounts

SAFE DEPOSIT VAULTS

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Commercial Paper

Investment Securities

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PHILADELPHIA
421 CHESTNUT ST.

CHICAGO
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SEATTLE
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While working constantly to increase our local business we are making every effort to perfect our service to out-of-town financial institutions.

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60 Wall Street



The Chemical National Bank of New York

(Founded 1824)

Capital, Surplus and Undivided Profits, \$11,000,000

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J. G. SCHMELZEL, *Assistant Cashier*
JOHN B. DODD, *Assistant Cashier*
SAMUEL T. JONES, *Assistant Cashier*
H. M. ROGERS, *Manager Foreign Department*

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W. EMLIN ROOSEVELT
ROBERT WALTON GOELET

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Added Facilities Now Open to National Banks

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Interest Credited Monthly

UNITED STATES MORTGAGE & TRUST COMPANY

Capital and Surplus - - \$6,000,000

NEW YORK

The American Exchange National Bank

128 BROADWAY

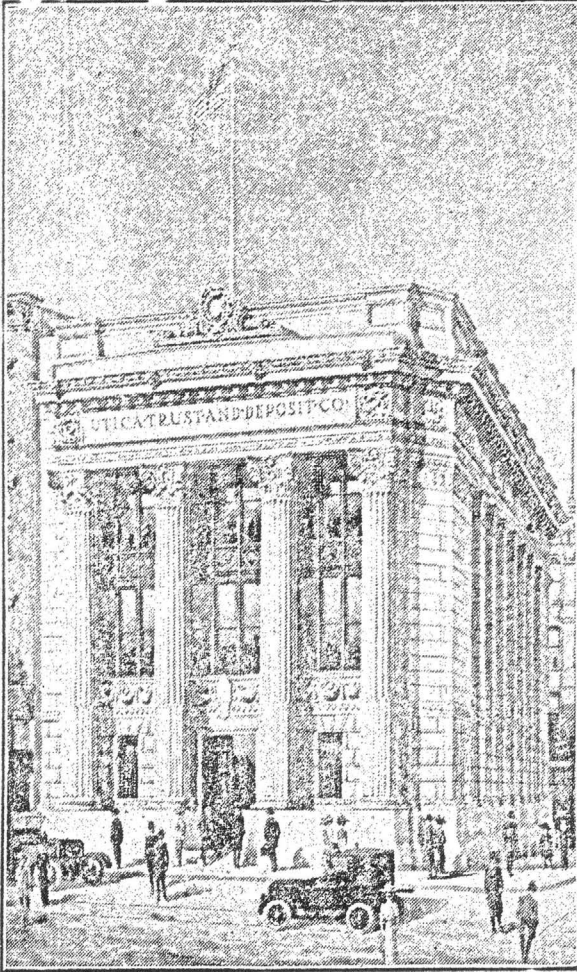
NEW YORK CITY

WHEN the Federal Reserve Act became a Law, our close touch with the financial requirements of the mercantile interests of this country enabled us to decide at once that *Acceptances* would be largely used in financing future business transactions.

Our experience convinces us that *Acceptance Credits and Trade Acceptances* are being used to advantage. Business men will find it highly profitable to familiarize themselves with this important phase of banking.

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Utica's
First Trust Company
(FOUNDED 1899)

General Resources over \$11,000,000, in
addition to Trust Department
Resources exceeding
\$3,000,000

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D. Clinton Murray.....Vice-President
George E. Dunham.....Vice-President
Thomas R. Proctor.....Vice-President
Graham Coventry.....Secretary
Charles J. Lamb.....Treasurer
Grover C. Clark.....Assistant Secretary
George W. Williams.....Assistant Treasurer

Directors

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Thomas R. Proctor	R. U. Sherman
D. Clinton Murray	George C. VanTuyt, Jr.
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ESTABLISHED 1882

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Investment Always on Hand

New England and Pennsylvania Securities — Special Attention

HIGH GRADE RAILROAD BONDS

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GUARANTEED R. R. STOCKS

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Suitable for Executors, Trustees, etc.

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We specialize in the purchase and sale of this class of investment and our diversified list includes Bond issues in all parts of the country.

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408 Olive Street
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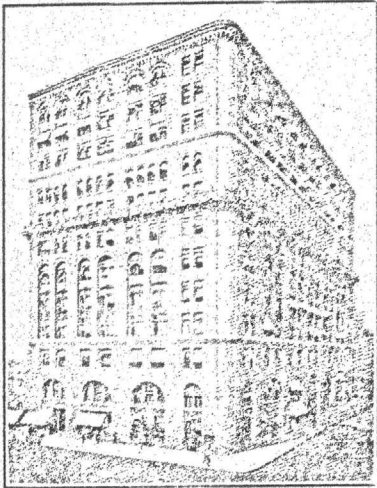
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Street Railway, Gas and Electric Light Securities

WE PURCHASE AND OPERATE

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THE
COAL AND IRON NATIONAL BANK
 OF THE CITY OF NEW YORK

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 Surplus and Profits (Earned) - - - - - 878,124.88

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 DAVID TAYLOR, Vice-President WM. H. JAQUITH, Asst. Cashier
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Knauth-Nachod & Kuhne

Members New York Stock Exchange

Equitable Building

New York City



ESTABLISHED 1829

ATLANTIC NATIONAL BANK

of the City of New York

257 BROADWAY

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 HERMAN D. KOUNTZE, President

EDWARD K. CHERRILL, Vice-President KIMBALL C. ATWOOD, Vice-President
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ACCOUNTS OF BANKS, BANKERS, MERCHANTS AND MANUFACTURERS SOLICITED

Organized 1882

THE LINCOLN NATIONAL BANK of the CITY OF NEW YORK

42nd STREET, OPPOSITE GRAND CENTRAL TERMINAL

CAPITAL,	\$1,000,000.00
SURPLUS AND UNDIVIDED PROFITS,	\$2,089,200.00
DEPOSITS,	\$21,627,000.00
TOTAL RESOURCES,	\$26,475,000.00

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DAVID C. GRANT, VICE-PRESIDENT	THOMAS KENWORTHY, ASSISTANT CASHIER
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Depository of the State of New York and City of New York

Accounts on Banks, Bankers, Trust Companies, Corporations and Individuals Invited

TRANSATLANTIC TRUST COMPANY

NEW YORK

MAIN OFFICE
67-69 WILLIAM ST.

EAST SIDE BRANCH
109 AVENUE A

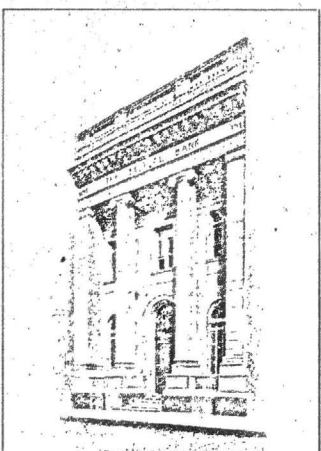
CAPITAL, SURPLUS
AND UNDIVIDED PROFITS
\$1,400,000.00

DIRECTORS

H. RIEMAN DUVAL, CHAIRMAN, <small>PRESIDENT AMERICAN BEET SUGAR CO.</small>	ARPAD G. GERSTER, M. D., <small>CAPITALIST</small>	WALTER G. OAKMAN, <small>PRESIDENT HUDSON COMPANIES</small>
MORRIS CUKOR, <small>COUNSELLOR-AT-LAW</small>	GUSTAVE LEVE, <small>MERCHANT</small>	JULIUS PIRNITZER, <small>PRESIDENT</small>
H. B. FONDA, <small>VICE-PRESIDENT</small>	WALTHER LUTTGEN, <small>AUGUST BELMONT & CO., BANKERS</small>	A. VON NUBER

DEPOSITORY

UNITED STATES GOVERNMENT NEW YORK STATE FUNDS
U. S. POSTAL SAVINGS SYSTEM NEW YORK CITY FUNDS



The Mutual Bank

49-51 West 33rd Street, New York

CHARLES A. SACKETT, President HUGH N. KIRKLAND, Vice-President & Cashier
JOHN C. VAN CLEAF, Vice-President EUGENE GALVIN, Assistant Cashier

DIRECTORS:

Andrew J. Connick	Joseph H. Emery	C. W. Luyster	Isadore Saks
Thomas Dimond	A. P. W. Kinnan	Samuel McMillan	James Thomson
Otto M. Eidlitz	Hugh N. Kirkland	Charles A. Sackett	John C. Van Cleaf
	Thomas F. Victor		

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UNION EXCHANGE NATIONAL BANK of NEW YORK

5th AVE. & 21st ST.

Capital and Surplus
\$2,200,000.00

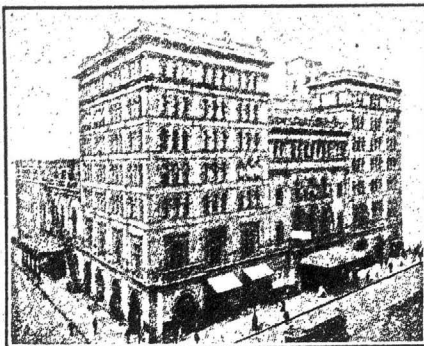
Deposits
\$13,500,000.00

Organized 1903
Member of New York Clearing House

SIDNEY H. HERMAN, President
DAVID NEVIUS, Vice-President and Cashier LOUIS J. WEIL, Vice-President
GEORGE B. CONNLEY, Assistant Cashier

A STRICTLY UP-TO-DATE COMMERCIAL BANK

SITUATED IN THE NEW COMMERCIAL AND MANUFACTURING DISTRICT, FIFTH AVENUE AND TWENTY-FIRST STREET
Banks that can handle to advantage the items payable in their locality are invited to correspond with us.



Hudson Trust Company

Broadway and 39th St.
(METROPOLITAN OPERA HOUSE)

Capital and Surplus Over \$1,100,000
Deposits \$5,600,000

Accounts solicited on the most liberal terms consistent with conservative Banking

SAFE DEPOSIT VAULTS

FRANK V. BALDWIN,	PRESIDENT
HENRY C. STRAHMANN,	VICE-PRESIDENT
JOHN GERKEN,	VICE-PRESIDENT
RICHARD A. PURDY,	VICE-PRES.—SECRETARY
JOHN J. BRODERICK, JR.	TREASURER

Depositary for Federal, State, Municipal and Court and Trust Funds



CAPITAL AND SURPLUS OVER
\$2,000,000.00

TOTAL RESOURCES OVER
\$15,000,000.00

NEW YORK CITY

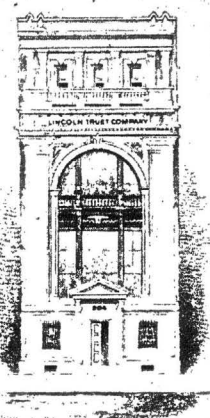
BANK capital, surplus and volume of business are, after all, only the manifestations of successful management. The true test of banking efficiency is the personal service given to each depositor.

Our officers give their personal attention to the requirements of bankers. Let us have an opportunity of serving you.

OFFICERS

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JOHN W. NIX	Vice-President
GEORGE HENRY SARGENT	Vice-President
ANDREW H. MARS	Secretary
STEPHEN L. VIELE	Asst. Secretary
ARTHUR W. MELLE	Asst. Secretary and Trust Officer
E. TILDEN MATTOX	Asst. to President

MEMBER OF THE NEW YORK CLEARING HOUSE



LINCOLN TRUST COMPANY

204 FIFTH AVENUE, NEW YORK

BROADWAY and LEONARD STREET

BROADWAY and 72nd STREET

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ABRAM M. HYATT, Vice-President	CHARLES E. CALHOUN, Asst. Secretary
OWEN WARD, Vice-President	NELSON F. GRIFFIN, Asst. Treasurer

DIRECTORS

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GEORGE BLAGDEN	AUGUSTUS F. KOUNTZE	GEO. A. VONDERMUEHL
WM. G. CONKLIN	GEORGE LEASK	OWEN WARD
WILLIAM FELSINGER	JOHN P. MUNN, M. D.	ALEXANDER S. WEBB
HERMANN C. FLEITMANN	P. F. MURPHY	WM. H. WHELLOCK
ERSKINE HEWITT	ISAAC N. SELIGMAN	C. MORTON WHITMAN
	LOUIS STERN	

CAPITAL AND SURPLUS, \$1,500,000

STOCKS AND BONDS

*bought and sold for cash, or carried on conservative terms.
Inactive and unlisted securities.
Collateral Loans.*

INQUIRIES INVITED

FINCH & TARBELL

Members of the New York Stock Exchange

Equitable Building

120 Broadway, New York

100 Years a
Commercial Bank

THE
**CHATHAM
AND
PHENIX**



**NATIONAL
BANK**

Of the City of New York

149 BROADWAY

Capital and Surplus \$5,000,000
Resources 85,000,000

LOUIS G. KAUFMAN
President

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Vice-President	Vice-President
WILLIAM H. STRAWN	Bert L. Haskins
Vice-President	Vice-Pres. and Cashier
NORBORNE P. GATLING	C. Stanley Mitchell
Vice-President	Vice-President
H.A. CLINKUNBROOMER	Max Markel
Vice-President	Vice-President
ROLFE E. BOLLING	George R. Baker
Vice-President	Vice-President
W. T. PERKINS	Henry L. Cadmus
Vice-President	Assistant Cashier
WALTER B. BOICE	Henry C. Hooley
Assistant Cashier	Assistant Cashier
VINTON M. NORRIS	Joseph Brown
Assistant Cashier	Assistant Cashier
GEORGE M. HARD	
Chairman	

We Invite Your Account

CHARTERED 1799

*Bank of the Manhattan
Company*

40 WALL STREET
NEW YORK

Capital - - - \$2,050,000
Surplus - - - 4,500,000

FOREIGN EXCHANGE
Commercial Letters of Credit
ACCOUNTS SOLICITED

Officers

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HENRY K. McHARG, Vice-President
D. H. PIERSON, Cashier
JAMES McNEIL, Asst. Cashier
B. D. FORSTER, Asst. Cashier
CHAS. D. BAKER, Asst. Cashier
WM. F. MOORE, Asst. Cashier
M. W. TICHENOR, Asst. Cashier

Directors

HENRY K. McHARG JAMES SPEYER
STEPHEN BAKER WILLIAM SLOANE
FREDK. G. BOURNE SAMUEL SLOAN
R. W. PATERSON B. H. BORDEN
WILLIAM S. TOD WALTER JENNINGS
CHAS. H. TENNEY CHARLES D. DICKEY

NEW JERSEY MUNICIPAL BONDS

BOUGHT—SOLD—QUOTED

LUDWIG & CRANE

INVESTMENT SECURITIES

61 Broadway, N. Y.

CURTIS & SANGER

49 WALL STREET, NEW YORK

Members New York, Boston and Chicago Stock Exchanges

STOCKS

BONDS

COMMERCIAL PAPER

BOSTON

CHICAGO

33 Congress Street

129 South La Salle Street

EDWARD B. SMITH & Co BANKERS

1411 CHESTNUT ST., PHILADELPHIA
30 PINE ST., NEW YORK

Members New York
and Philadelphia
Stock Exchanges

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High Grade Investment
Securities

Dominick & Dominick

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MEMBERS OF THE NEW YORK STOCK EXCHANGE

Dealers in Investment Securities

115 Broadway
New York

Wiggins Block
Cincinnati

THE CONTINENTAL TRUST COMPANY

BALTIMORE, MD.

Invites the Accounts of Banks
and Trust Companies

Exceptional Facilities for
Handling Collections

Transacts a General Trust
and Banking Business

CAPITAL, \$1,350,000
SURPLUS, 1,350,000

Correspondence Invited

S. DAVIES WARFIELD, PRESIDENT



CONTINENTAL TRUST BUILDING

Fourth National Bank

ATLANTA

We will take good care of every bit of business sent us.
Our facilities for service are extensive and we can make
your dealings with us thoroughly agreeable and satisfactory.

Capital \$600,000
Surplus \$1,158,000
Deposits \$12,500,000

OFFICERS:

JAMES W. ENGLISH	President
JOHN K. OTTLEY	Vice-President
CHARLES I. RYAN	Vice-President and Cashier
W. T. PERKERSON	Assistant Cashier
STEWART MCGINTY	Assistant Cashier
F. M. BERRY	Assistant Cashier
H. B. ROGERS	Assistant Cashier

Bonded Investments

Including a Number of Carefully Selected
and Most Attractive Industrial First-Mort-
gage Issues Yielding 6 Per Cent or More.

Correspondence Solicited

DUQUESNE BOND CORPORATION

115 Broadway, New York

223 Fourth Avenue, Pittsburgh

Oldest Trust Company in Morris County, New Jersey. Established in 1892

MORRISTOWN TRUST COMPANY

Morristown, N. J.
SAMUEL FREEMAN, President

RESOURCES ABOUT TEN MILLION DOLLARS

A safe place to put your money where you can get it when wanted; with interest from date deposited until date withdrawn—always subject to daily check—payable through New York Clearing House

DIRECTORS

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Willard W. Cutler
G. G. Frelinghuysen
O. H. Kahn
Walter G. Oakman

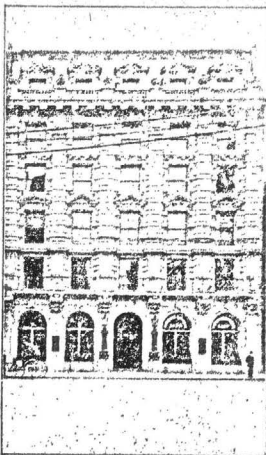
Henry F. Taylor
John H. Capstick
James N. Wallace
A. R. Whitney, Jr.
James B. Duke

Granville M. White
Harrie T. Hull
William V. S. Thorne
S. Harold Freeman
Nicholas F. Brady

Charles H. Sabin
Frederick Strauss
William B. Boulton
Jno. H. B. Coriell
Harry A. Van Gilder

PATERSON NATIONAL BANK PATERSON, N. J.

United States and State Depository



Capital
\$300,000

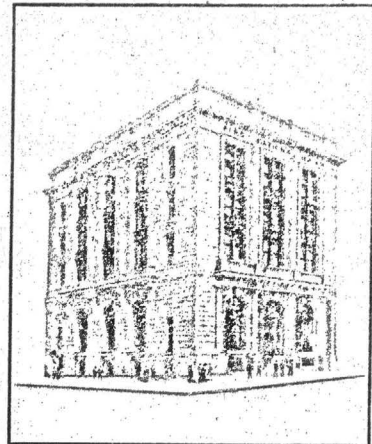
Surplus
and
Profits
\$520,000

Deposits
\$3,500,000

Hon. JOHN W. GRIGGS, President
ELMER Z. HALSTED, Vice-President
DANIEL H. MURRAY, Cashier

Collections our Specialty. Quick remittances and Small charges
Accounts and Correspondence Invited

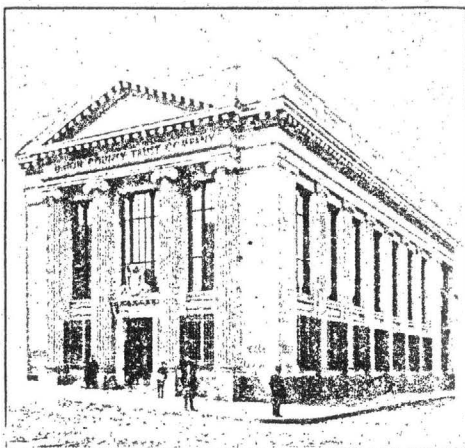
FIRST NATIONAL BANK PATERSON, N. J.



CAPITAL AND SURPLUS, \$1,200,000
RESOURCES, \$6,500,000

EDWARD T. BELL, President
ROBERT J. NELDEN, Vice-President
WHITFIELD W. SMITH, Cashier
FREDERICK D. BOGERT, Ass't Cashier

Collections remitted for on day of payment



UNION COUNTY TRUST COMPANY ELIZABETH, N. J.

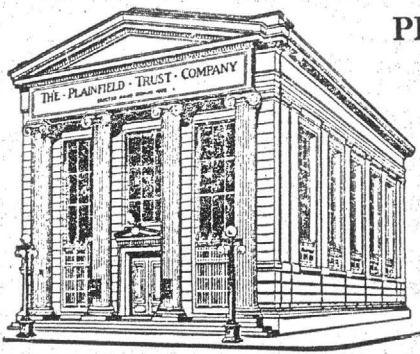
DEPOSITS - - \$6,270,460.49
CAPITAL AND SURPLUS 675,223.27

OFFICERS

CHARLES H. K. HALSEY, President
LOUIS F. HERSH, Vice-President RUSSELL W. LEWIS, Sec'y and Trust Officer
EDWARD A. FAULKS, Treasurer

THE PLAINFIELD TRUST COMPANY

PLAINFIELD, N. J.



Capital and Surplus \$625,000.00

This institution's broad connections and strong organization insure efficient service.

Resources over \$8,500,000.00

OFFICERS

O. T. WARING, President
 AUGUSTUS V. HEELY, Vice-President
 J. HERBERT CASE, Vice-President
 DEWITT HUBBELL, Sec'y & Treasurer
 F. IRVING WALSH, Asst. Sec'y-Treas.
 ADELE H. KIRBY, Assistant Treasurer

ESTABLISHED 1873

CAMDEN SAFE DEPOSIT AND TRUST COMPANY

CAMDEN, N. J.

SEPT. 11, 1917

Capital, Surplus and Undivided Profits, \$1,397,560.97
 Deposits 8,866,536.07
 Trust Funds 13,000,000.00

Well equipped for the settlement of estates, care of trust funds and other financial business

ALEXANDER C. WOOD, Chairman of the Board
 EDWARD L. FARR, President
 EPHRAIM TOMLINSON, Vice-President and Trust Officer
 GEORGE J. BERGEN, Solicitor
 JOSEPH LIPPINCOTT, Secretary and Treasurer
 F. HERBERT FULTON, Asst. Sec'y and Treas.

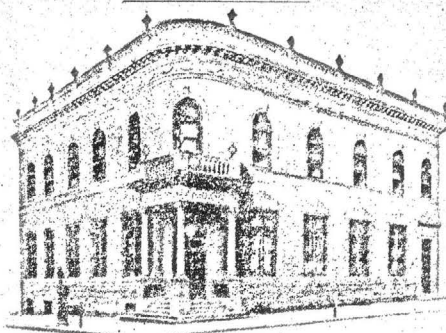
THE MECHANICS NATIONAL BANK OF TRENTON, N. J.

FOUNDED A. D. 1834

OFFICERS

EDWARD C. STOKES, President
 HENRY C. KELSEY, Vice-Pres.
 HARRY D. LEAVITT, Vice-Pres.
 JOSEPH R. SWEENEY, Cashier
 J. CADWALLADER SLACK, Asst. Cashier

Capital Stock, \$500,000
 Surplus and Profits, \$1,203,040
 Deposits \$10,000,000
 We solicit your business
 Collections promptly remitted



DIRECTORS

HENRY C. KELSEY
 Ex-Secretary of State
 EDWARD C. STOKES
 Former Governor of New Jersey
 ISAAC F. RICHEY
 Counsellor-at-Law
 RUDOLPH V. KUSER
 Peoples Brewing Co.
 FERDINAND W. ROEBLING, Jr.
 Roebling's Sons Co., Wire Mfrs.
 SCOTT SCAMMELL
 Counsellor-at-Law
 NEWTON A. K. BUGBEE
 Contractor
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 Merchant
 SAML. T. ATCHLEY
 Farmer
 A. M. MADDOCK
 T. Maddock's Sons Co.
 ROBERT C. KOLB
 Baker
 KARL G. ROEBLING
 Roebling's Sons Co., Wire Mfrs.

CENTRAL TRUST COMPANY

CAMDEN, N. J.

CAPITAL, SURPLUS & UNDIVIDED PROFITS	\$ 415,000.00
DEPOSITS	2,815,553.72
RESOURCES	3,230,553.72
TRUST FUNDS <small>Separate from the other assets of the company</small>	1,250,000.00

We have unexcelled facilities for handling collections, and will remit daily or weekly at lowest rates

H. H. GRACE, M.D., President
 CASPER T. SHARPLESS, Vice-President
 MONTREVILLE SHINN, Asst. Sec. and Treas.
 JOHN B. CLEMENT, 2nd V.-P., Sec.-Treas.
 C. CHESTER CRAIG, Trust Officer

A Mark of Confidence

Because we have the courage of our convictions, in our advertising we have consistently and continuously placed ourselves on record as opposed to everything inimical to the investing public. This stand on our part has inspired a confidence which we have justified and shall continue to justify by our dealings with all those with whom we come in contact. Numbered among our clients are more than fifty banking institutions in the Pittsburgh district. This is a mark of confidence to be carried in mind by those seeking a brokerage connection.

Moore, Leonard & Lynch

Members of New York, Pittsburgh, Chicago and Philadelphia Stock Exchanges

Frick Building, Pittsburgh, Pa. 111 Broadway, New York

CHILDS, KAY & WOODS BROKERS

UNION BANK BLDG.
PITTSBURGH

PENN BLDG.
ERIE, PA.

PATTERSON BLDG.
NEW CASTLE, PA.

MEMBERS

Pittsburgh Stock Exchange

New York Stock Exchange

Chicago Board of Trade

High Grade Investment Bonds a Specialty

A. E. MASTEN & CO. BROKERS

Members New York Stock Exchange, Boston Stock Exchange, Pittsburgh Stock Exchange, Chicago Stock Exchange, Chicago Board of Trade

PITTSBURGH, PA.

Branch Office: Wheeling, W. Va.

PITTSBURGH

THE CAPITAL OF AN INDUSTRIAL EMPIRE

In the center of an Industrial Empire, stands Pittsburgh, "The Workshop of the World."

One hundred and seventy millions tons of freight is her annual contribution to the commerce of the Nation.

A million-and-a-half a day she pays her workers in salaries and wages.

The products of her varied industries range from pickles to locomotives; from steel rails to table glassware.

The deposits of her banks, \$704,000,000 at latest report, are actively engaged in the development of the Nation's Industrial Center.

Chief among her financial institutions is the Mellon Bank, with deposits of over \$100,000,000, the largest national bank between New York and Chicago.

MELLON NATIONAL BANK PITTSBURGH

RESOURCES OVER 130 MILLIONS

THE PEOPLES NATIONAL BANK OF PITTSBURGH, PA.

Our intimate association with those who are in close touch with the large industries of Pittsburgh enables us to give intelligent and satisfactory service to any having business of a financial nature in this district.

CAPITAL	SURPLUS <i>and</i> PROFITS	DEPOSITS
\$1,000,000	\$2,000,000	\$26,000,000

GLOVER & MACGREGOR INVESTMENT SECURITIES

Municipal, Public Utility, Iron and Steel Bonds

Specialists in Securities of the American Water Works and Electric,
West Penn Railways and West Penn Power Companies.

345 FOURTH AVENUE

PITTSBURGH

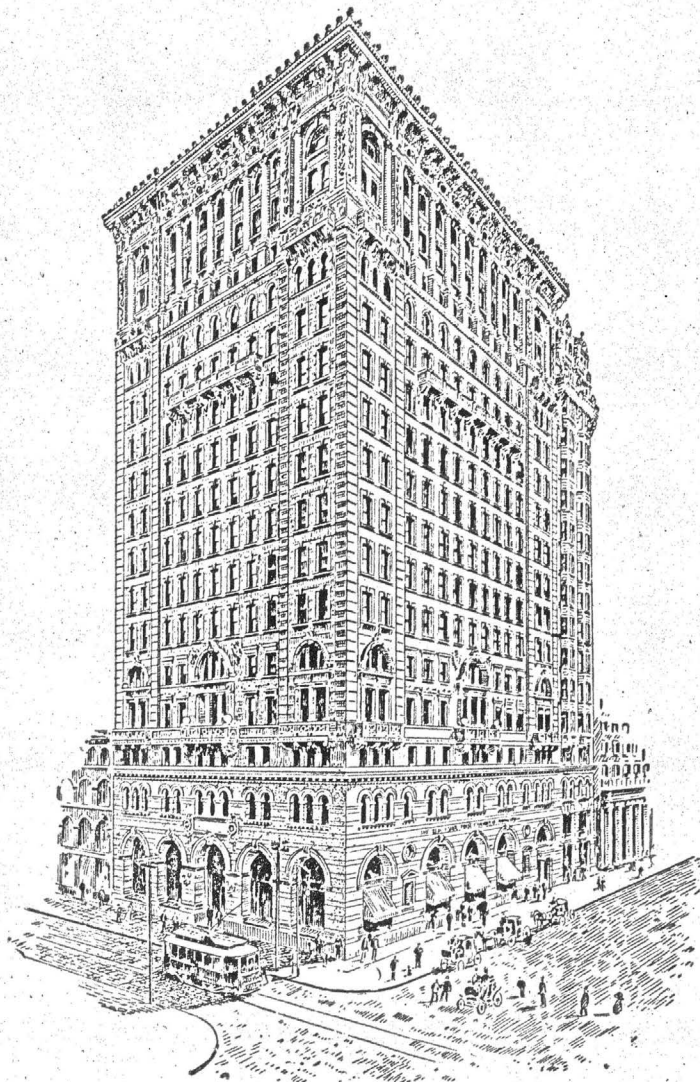
The Real Estate Trust Co. of Philadelphia

Broad and Chestnut Streets

CAPITAL \$3,729,900

Solicits Deposits of Firms, Corporations and Individuals—Interest Allowed

*Is fully equipped to handle all Business pertaining to a Trust Company,
in its Banking, Trust, Real Estate and Safe Deposit Departments*



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S. F. Houston, Vice-President *William R. Philler, Secretary*
John A. McCarthy, Trust Officer
Edgar Fetherston, Asst. Treasurer *Edw. Y. Townsend, Asst. Trust Officer*

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Frank C. Roberts
James F. Sullivan
Cyrus H. K. Curtis

Samuel F. Houston
William A. Patton
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Bayard Henry
John Gröbbel
Louis J. Kolb
J. Wallace Hallowell



DO NOT

Neglect Philadelphia

It is fortunate in having now a development in its metropolitan district unequaled by any other section.

For information, see the

CORN EXCHANGE
NATIONAL BANK, Philadelphia

The First National Bank Chartered

Organized, Equipped and
Conducted for SERVICE

You Appreciate Good Service

We Appreciate Your Business

Correspondence Invited

First National Bank

of Philadelphia
Charter Number One

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FREAS B. SNYDER, Vice-President		CHAS. H. JAMES, Assistant Cashier
HARRY J. HAAS, Vice-President		CARL H. CHAFFEE, Assistant Cashier

Total Resources



\$37,000,000

THIRD NATIONAL BANK
PHILADELPHIA

A Commercial Bank in a Commercial Centre

Capital, \$600,000.00 _____ Surplus, \$800,000.00

	LEWIS R. DICK, President
G. BRINTON ROBERTS, Vice President	WM. T. TOMLINSON, Assistant Cashier
W. CLIFFORD WOOD, Cashier	THOMAS W. ASTBURY, Jr., Assistant Cashier

We solicit the collection of drafts and other items that require personal presentation, and shall give good service at a reasonable charge. Our department is well-equipped, and all branches of our business conducted on intelligent and liberal lines.

W. F. Fuqua & Co.

BONDS

Land Title Building
Philadelphia, Pa.

Fourth Street National Bank

PHILADELPHIA

Capital \$3,000,000
Surplus and Net Profits 7,000,000

E. F. SHANBACKER, President

FRANK G. ROGERS, Vice-President

W. A. BULKLEY, Ass't Cashier

R. J. CLARK, Vice-President and Cashier

C. F. SHAW, Jr., Ass't Cashier

W. K. HARDT, Vice-President

W. R. HUMPHREYS, Ass't Cashier

Union National Bank

PHILADELPHIA

Capital, Surplus and Profits - - - \$1,050,000
Total Resources over - - - - - 13,000,000



OFFICERS

J. S. McCULLOCH, President

T. H. CONDERMAN, Vice-President

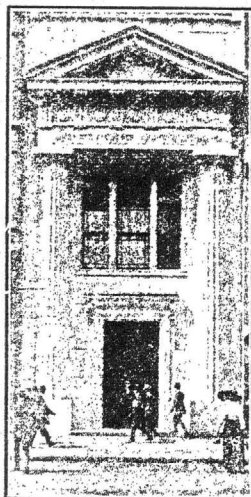
L. N. SPIELBERGER, Vice-President and Cashier

O. STUART WHITE, Asst. Cashier

FREDERICK FAIRLAMB, Asst. Cashier

ACCOUNTS AND CORRESPONDENCE INVITED

This bank offers all the power consistent with safe and sane banking.



**THE MARKET STREET NATIONAL BANK
OF PHILADELPHIA**

CAPITAL \$1,000,000
 SURPLUS *and* NET PROFITS.. 1,500,000
 DEPOSITS 13,870,000
 TOTAL RESOURCES OVER... 17,000,000

OFFICERS

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 WM. P. SINNETT, *Vice-Pres. and Cashier* FRED F. SPELLISNY, *Asst. Cashier*
 R. LIVINGSTON SULLIVAN, *Vice-President* WM. H. TRAPPE, *Asst. Cashier*

**FIRST CLASS COLLECTION FACILITIES
CORRESPONDENCE INVITED**

FIDELITY TRUST COMPANY

PHILADELPHIA

Capital \$5,000,000 Surplus \$16,000,000

PAYS INTEREST ON DEPOSITS

EXECUTES TRUSTS OF EVERY DESCRIPTION

SECURITIES AND VALUABLES TAKEN FOR SAFE KEEPING

WILLS SAFELY KEPT WITHOUT CHARGE

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J. C. NEFF, *Vice-President*
 GEO. H. KYD, *Treasurer*

W. G. LITTLETON, *Vice-President*
 JOS. McMORRIS, *Secretary*

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 WILLIAM P. GEST
 EDWARD WALTER CLARK
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CHARLEMAGNE TOWER
 EDWARD T. STOTESBURY
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**LYBRAND, ROSS BROS. & MONTGOMERY
CERTIFIED PUBLIC ACCOUNTANTS**

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PITTSBURGH**

**PHILADELPHIA
BOSTON**

**CHICAGO
NEW HAVEN**

Agencies:

**SAN FRANCISCO
KANSAS CITY
NEW ORLEANS**

**LOS ANGELES
LONDON, ENGLAND**

**SEATTLE
DALLAS
SAVANNAH**

ESTABLISHED 1866

BODINE, SONS & CO.

COMMERCIAL PAPER

COLLATERAL LOANS NEGOTIATED

129 SOUTH FOURTH STREET

PHILADELPHIA, PA.

SPECIALISTS IN SECURITIES FREE OF

PENNSYLVANIA STATE TAX

HARPER & TURNER

Investment Bankers

1000-1012 STOCK EXCHANGE BUILDING
PHILADELPHIA

Members Philadelphia Stock Exchange

Established 1893

MORRIS BROTHERS, Inc.

PORTLAND, ORE.

MUNICIPAL AND CORPORATION BONDS

Pacific Coast Securities A Specialty

MORRIS BROTHERS COMPANY

PHILADELPHIA

HIGH-GRADE MUNICIPAL, RAILROAD AND PUBLIC UTILITY BONDS.

New York and Pennsylvania Tax Free Bonds A Specialty

ERVIN & CO.

INVESTMENT SECURITIES

Drexel Building
PHILADELPHIA

Trinity Building
NEW YORK

MEMBERS OF THE NEW YORK AND PHILADELPHIA STOCK EXCHANGES

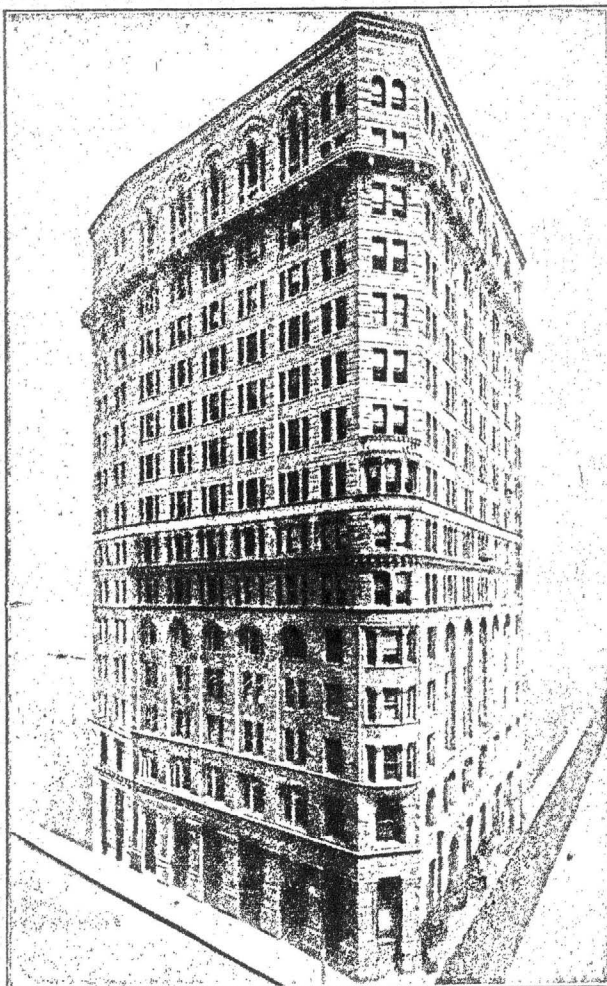
The Fidelity Trust Company

Charles and Lexington Streets
BALTIMORE, MD.

EDWIN WARFIELD, President

VAN LEAR BLACK, Vice-President
SAMUEL M. HANN, Vice-President
J. H. BEATSON, Sec'y and Asst. Treas.
F. HOWARD WARFIELD, Trust Officer

W. BLADEN LOWNDES, Vice-President and Treas.
HENRY D. HARLAN, General Counsel
GEORGE L. MAHLER, Asst. Sec'y and Asst. Treas.
C. T. WILLIAMS, Manager Investments



FIDELITY BUILDING,
CHARLES AND LEXINGTON STS. BALTIMORE.

Acts as Executor, Administrator, Guardian and Trustee, Manages Estates and Collects Incomes.
Rents Safe Deposit Boxes and Receives Valuables on Storage, Does a General Banking Business. Interest Allowed on Deposits. Issues Letters of Credit and Travelers' Checks.

BANKING, INVESTMENT, TRUST, REAL ESTATE AND FOREIGN DEPARTMENTS

AUGUST 31, 1917

RESOURCES

Stocks and Bonds	\$6,283,368.68
Loans Secured by Collateral	6,093,106.99
Cash in Vault and Depositories	2,165,372.62
	<u>\$14,541,848.29</u>

LIABILITIES

Capital Stock	\$1,000,000.00
Surplus and Undivided Profits	1,433,280.34
Deposits	12,055,896.09
Reserved for Interest and Taxes	52,671.86
	<u>\$14,541,848.29</u>

DIRECTORS

- EDWIN WARFIELD,
President.
- VAN LEAR BLACK,
Black, Sheridan, Wilson Company.
- HERMAN E. BOSLER,
Capitalist.
- HOWARD BRUCE,
Bartlett-Hayward Co.
- SPRIGG D. CAMDEN,
Pres. Union Tr. & Deposit Co., Parkersburg,
W. Va.
- CHARLES M. COHN,
Vice-Prest. Con. Gas, Electric Light &
Power Co.
- SOLOMON FRANK,
Capitalist.
- FRANK A. FURST,
President Maryland Dredging & Contracting
Co.
- E. STANLEY GARY,
James S. Gary & Son.
- JOHN S. GIBBS, JR.,
Gibbs Preserving Company.
- HENRY D. HARLAN,
General Counsel, The Fidelity Trust Co.
- WILLIAM A. HOUSE,
Capitalist.
- JOSEPH P. KENNEDY,
P. Kennedy Foundry Co.
- WILLIAM KEYSER JR.,
Capitalist.
- W. BLADEN LOWNDES,
Vice-Pres. Second National Bank, Cumber-
land.
- SEYMOUR MANDELBAUM,
Capitalist.
- GUSTAVUS OBER, JR.,
G. Ober & Sons Company.
- THOMAS O'NEILL,
O'Neill & Co.
- JOHN WALTER SMITH,
United States Senator.
- GEORGE WARFIELD,
Capitalist.
- CLARENCE W. WATSON,
Coal Operator.
- THOMAS A. WHELAN,
Attorney-at-Law.
- MORRIS WHITRIDGE,
Whitridge, White & Company.

CHARTERED 1864

SAFE DEPOSIT AND TRUST COMPANY OF BALTIMORE

13 SOUTH STREET

Capital \$600,000 Surplus and Profits over \$2,500,000

Acts as Trustee of Corporation Mortgages. Fiscal Agent for Corporations and Individuals. Transfer Agent and Registrar. Depository under plans of reorganization.

Acts as Executor, Administrator, Guardian, Trustee, Receiver, Attorney and Agent, being especially organized for careful management and settlement of estates of every character.

Fireproof building with latest and best equipment for safety of contents.

Safes for rent in its large fire and burglar proof vaults, with spacious and well lighted coupon rooms for use of patrons.

Securities held on deposit for Out of Town Corporations and Persons.

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JOHN J. NELLIGAN, President
JOHN W. MARSHALL, Vice-Pres't

WALDO NEWCOMER
NORMAN JAMES
DOUGLAS H. THOMAS
ISAAC M. CATE

SAM'L M. SHOEMAKER
BLANCHARD RANDALL
ELISHA H. PERKINS
ROBERT GARRETT

GEO. C. JENKINS

ANDREW P. SPAMER, 2nd Vice-Pres't

GEO. B. GAMMIE, Treasurer

UNION TRUST COMPANY BALTIMORE

Modern up to date banking department, being thoroughly equipped to handle all business pertaining to banking.

Interest allowed on deposits subject to check.

Special attention given to handling Reserve Accounts of State Banks and Trust Companies. Transacts a general trust business.

OFFICERS

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MARYLAND TRUST COMPANY

N. W. Corner Calvert and German Sts., Baltimore, Md.

Capital, \$1,000,000

TRANSACTS A GENERAL TRUST AND BANKING BUSINESS

OFFICERS

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CARROLL VAN NESS, 2nd Vice-President IVAN SKINNER, Asst. Secy. & Asst. Treas.

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F. DONALDSON BROWN
GEORGE W. FLEMING
ROBERT GARRETT
B. HOWELL GRISWOLD, JR.
ROBERTSON GRISWOLD

RICHARD GWINN
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C. WILBUR MILLER
JOHN G. ROUSE
JAMES L. SELLMAN
JOHN T. STONE

THEODORE E. STRAUS
RICHARD H. THOMPSON
HERBERT A. WAGNER
ARTHUR G. WELLINGTON
HENRY B. WILCOX
L. S. ZIMMERMAN

Correspondence and Interviews Invited

FIRST NATIONAL BANK

RICHMOND, VIRGINIA

Capital and Surplus	- - -	\$ 3,000,000
Deposits	- - -	21,000,000
Resources over	- - -	26,000,000

JOHN M. MILLER, JR., President
 W. M. ADDISON, Vice-President and Cashier CHAS. R. BURNETT, Vice-President

RICHMOND TRUST AND SAVINGS CO.

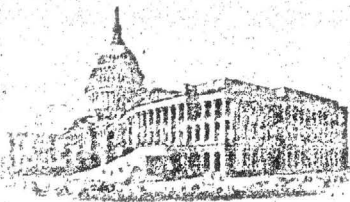
RICHMOND, VA.

Capital	- - -	\$1,000,000
Surplus and Profits	- -	215,000

OFFICERS

E. L. BEMISS.....President
 JAS. G. TINSLEY.....Vice-President
 CHAS. J. ANDERSON.....Vice-President
 R. J. WILLINGHAM, Jr.....Secretary and Treasurer
 DEANE MAURY.....Trust Officer

TREASURY
 DEPARTMENT
 SERVICE
 AT WASHINGTON



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IT COVERS:

1. Witnessing the Destruction of Mutilated National Bank Notes.
2. Examining Bonds Deposited with the Treasurer of the United States to Secure Circulation and Government Deposits.
3. Telegraphing Advice of Comptroller's Calls.
4. Making Deposits Account of 5 per cent. Fund. Transfer of Funds. Circulation Tax.

Resources over \$17,000,000.00

Branches: PANAMA CITY, R. P. AND CRISTOBAL, C. Z.

THE COMMERCIAL NATIONAL BANK WASHINGTON, D. C.

A. G. CLAPHAM, President JAS. A. CAHILL, Vice-President
 T. K. SANDS, Vice-President and Cashier

CRANE, GILPIN & CO.

BANKERS

Members of Washington Stock Exchange

Banking and Investment Securities

604 14th Street N. W.

WASHINGTON, D. C.

First National Bank of Chattanooga

"FIFTY-SECOND YEAR"

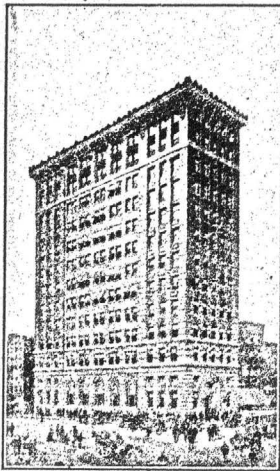
CAPITAL\$ 750,000.00
 SURPLUS and PROFITS..... 650,000.00
 TOTAL RESOURCES..... 14,000,000.00

CHAS. A. LYERLY, PRESIDENT
 J. T. LUPTON, VICE-PRES.
 C. C. NOTTINGHAM, ACTIVE VICE-PRES.
 Z. C. PATTEN, JR., VICE-PRES.

J. P. HOSKINS, CASHIER
 W. H. DEWITT, ASST. CASHIER
 J. D. M. MARSHALL, ASST. CASHIER
 W. M. VICKERS, AUDITOR

The National Bank of Commerce

NORFOLK, VA.



CAPITAL
\$1,000,000

SURPLUS
\$1,000,000

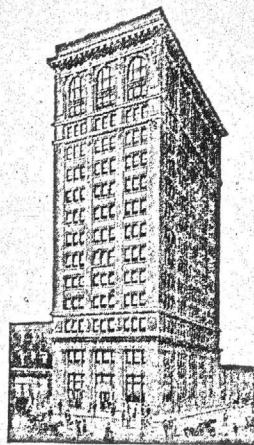
WE INVITE
YOUR
ACCOUNT

NATHANIEL BEAMAN, President
 TAZEWELL TAYLOR, Vice-President
 R. S. COHOON, Cashier
 M. C. FEREBEE, Assistant Cashier
 R. P. BEAMAN, Assistant Cashier
 JOHN R. KILBY, Assistant Cashier

MARKED FEATURES
 Promptness, Courtesy, Safety and Reliability

HAMILTON NATIONAL BANK

CHATTANOOGA, TENN.



Capital
\$1,000,000

Surplus
and
Profits
\$600,000

Resources Over
\$14,000,000

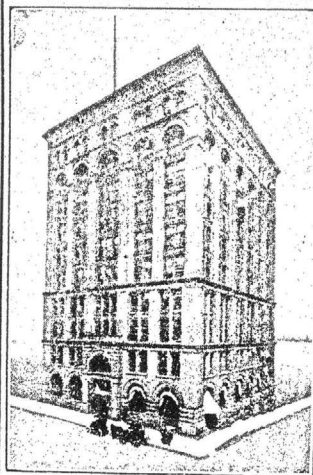
Our Collection Facilities
Are Unsurpassed

Prompt Service and Reasonable Rates

T. R. PRESTON, President	J. B. F. LOWRY Cashier
G. H. MILLER, Vice-President	S. A. STRAUSS, Assistant Cashier
JNO. STAGMAIER Vice-President	D. S. HENDERSON, Assistant Cashier
C. M. PRESTON, Vice-President	E. B. SHADDEN Auditor

FIDELITY AND COLUMBIA TRUST COMPANY

LOUISVILLE, KY.

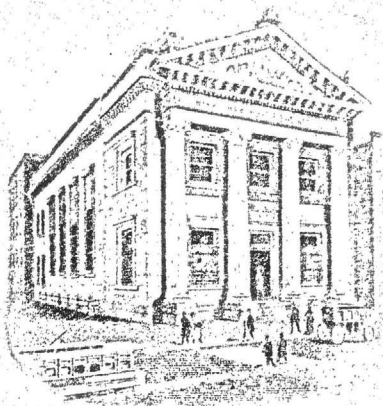


Capital, \$2,000,000
 Surplus and Undivided Profits over \$800,000.00

JOHN W. BARR, JR.
President
 L. W. BOTTS
Vice-President
 JOHN T. MALONE
Manager
 J. F. SPEED
Treasurer

L. M. RENDER
Secretary
 J. LITHGOW SMITH
Manager of Sales
 D. F. MURPHY
Manager of Rents
 J. D. WINSTON
Assistant Treasurer
 WM. I. MORTON
Superintendent of Vaults

J. G. McPHERSON
Assistant Secretary
 ARTHUR PETER
Trust Counsel
 MENEFFEE WIRGMAN
Assistant Secretary
 GEORGE LEWIS
Auditor
 L. P. MILLER
Assistant Auditor



BIRMINGHAM TRUST & SAVINGS Co.

BIRMINGHAM, ALABAMA

Organized in 1887

Capital \$500,000 Surplus (Earned) \$650,000

ARTHUR W. SMITH, President
TOM O. SMITH, Vice-President
W. H. MANLY, Cashier

BENSON CAIN, Ass't Cashier
C. D. COTTEN, Ass't Cashier
E. W. FINCH, Ass't Cashier

Steady adherence to conservative banking is coupled with prompt attention to all business.

We Especially Solicit Your Birmingham Items.



DEPOSITORY OF THE UNITED STATES AND STATE OF ALABAMA

FIRST NATIONAL BANK

BIRMINGHAM, ALA.

Capital \$1,500,000 Surplus \$1,500,000

Resources over \$22,000,000

JOHN H. BARR, Chairman

OSCAR WELLS, President
J. H. WOODWARD, Vice-President
J. K. FLEMING, Vice-President

THOMAS HOPKINS, Cashier
F. S. FOSTER, Ass't Cashier
THOMAS BOWRCN, Ass't Cashier

QUICK RETURNS FOR SOUTHERN COLLECTIONS

SEND US YOUR ITEMS



ORGANIZED 1866

THE FIRST NATIONAL BANK OF HOUSTON, TEXAS

CAPITAL, \$2,000,000 SURPLUS, \$500,000

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F. M. LAW, Vice-President
W. S. COCHRAN, Vice-President
F. E. RUSSELL, Cashier

G. G. TIMMINS, Ass't Cashier
J. L. RUSSELL, Ass't Cashier
H. B. BRINGHURST, Ass't Cashier
J. W. HAZARD, Ass't Cashier

WE INVITE CORRESPONDENCE OF BANKS AND BANKERS DESIRING UNEXCELLED FACILITIES FOR HANDLING COLLECTIONS ON THE STATE OF TEXAS.



ESTABLISHED 1873

The Fort Worth National Bank

FORT WORTH, TEXAS

Capital \$600,000 (\$200,000 earned)
Surplus and Profits \$1,200,000

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ELMO SLEDD, Vice-President
E. B. VAN ZANDT, Vice-President
W. M. MASSIE, Cashier
R. W. FENDER, Assistant Cashier

R. E. HARDING, Vice-President
RAYMOND C. GEE, Assistant Cashier
H. P. SANDIDGE, Assistant Cashier

We cordially invite the correspondence of Banks and Bankers desiring efficient and satisfactory service in this territory

Capital \$1,000,000

Surplus \$1,000,000

Total Resources \$17,000,000

INCORPORATED 1792

THE NATIONAL UNION BANK BOSTON, MASS.

Boston's oldest bank, originally chartered in 1792, with an unbroken record of continuous dividends for one hundred and twenty-five years.

Its medium size gives assurance of personal attention to its depositors.

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WILLIAM S. B. STEVENS, Vice-President

ARTHUR E. FITCH, Cashier

ALEXANDER WHITESIDE, Vice-President

JOHN W. MARNO, Assistant Cashier

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Gas, Electric Light, Water Power

Bonds and Preferred Stocks

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PHILADELPHIA

SPRINGFIELD

CHICAGO

SPRINGFIELD NATIONAL BANK

SPRINGFIELD, MASS.

HENRY H. BOWMAN, President
ROBERT W. DAY, Vice-President

RALPH P. ALDEN, Cashier
PHILIP S. BEEBE, Assistant Cashier

Comparative Statements of Twenty-four Years' Business:

Year	Capital	Surplus and Profits	Deposits	Year	Capital	Surplus and Profits	Deposits
1893.....	\$200,000.00	\$51,766.00	\$382,000.00	1909.....	\$500,000.00	\$581,500.00	\$3,150,000.00
1897.....	200,000.00	87,968.00	1,002,000.00	1913.....	500,000.00	675,650.00	4,100,000.00
1901.....	200,000.00	244,564.00	1,762,000.00	1915.....	500,000.00	803,060.00	5,130,000.00
1905.....	250,000.00	307,125.00	2,196,000.00	1917.....	500,000.00	943,000.00	6,500,000.00

Attention is called to the steady increase from year to year in all three of these accounts. The original Capital paid in at the date of the Bank's organization, May 6, 1893, was \$200,000.00. On May 6, 1904, the Capital was increased \$50,000.00 and on May 6, 1909, was again increased \$250,000.00.

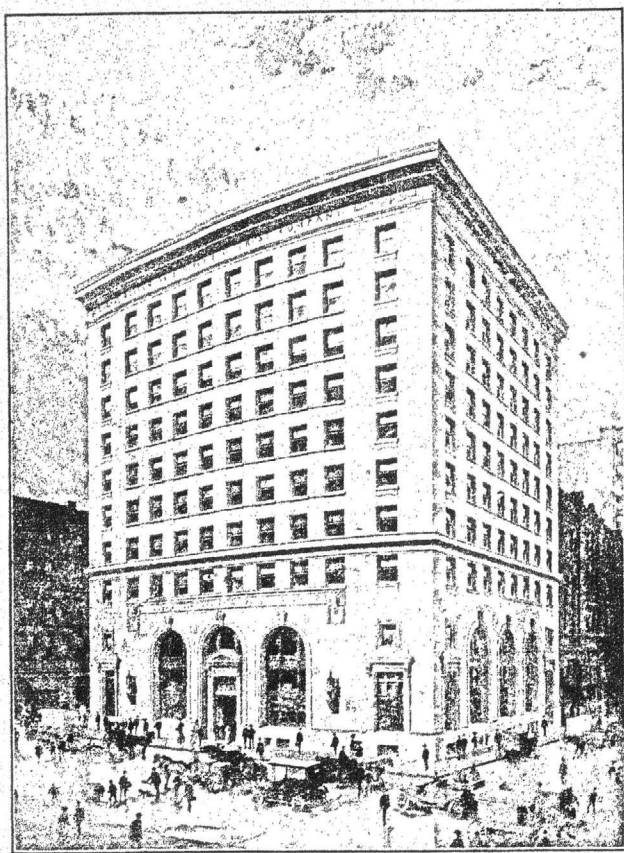
The Capital is now \$500,000.00, Surplus \$500,000.00, and Undivided Profits over \$440,000.00.

Boston Safe Deposit & Trust Company

100 Franklin Street, Boston

IN ACTIVE BUSINESS SINCE 1875

Capital \$1,000,000
Surplus and Undivided Earnings } \$3,000,000
Deposits \$16,000,000



OFFICERS

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President.
WILLIAM H. WELLINGTON,
Vice-President.
WILLIAM C. WILLIAMS,
Vice-President.
GEORGE E. GOODSPEED,
Treasurer.
ROLAND E. CHAFEY,
Assistant Treasurer.
EDWARD E. STEVENS,
Assistant Treasurer.
FRANCIS J. BURRAGE,
Secretary.
ARTHUR W. COLLINS,
Assistant Secretary.
MARVIN SPRAGUE,
Trust Officer.
WILLARD T. CARLETON,
Asst. Trust Officer.
LYMAN H. ALLEN,
Asst. Trust Officer.
ROBERT L. SHEWELL,
Real Estate Officer.
WILLIAM E. NUTTING,
Manager Safe Deposit Department.
EDWARD C. BURRAGE,
Asst. Mgr. Safe Deposit Department.

DIRECTORS

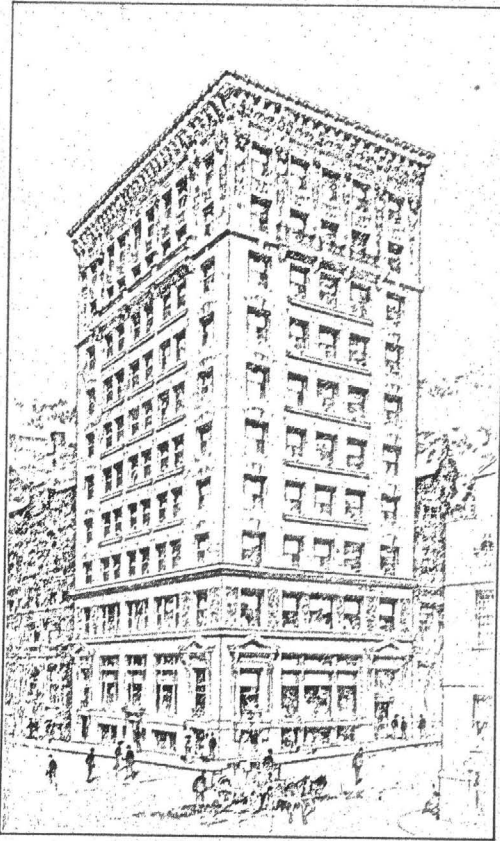
Henry S. Shaw	C. Minot Weld
Wallace L. Pierce	William H. Wellington
Costello C. Converse	Nathaniel Stevens
Edward W. Hutchins	John S. Lawrence
Elwyn G. Preston	Lewis A. Crossett
Charles E. Rogerson	Charles F. Dowse
Richard M. Saltonstall	Amor Hollingsworth
Nathaniel F. Ayer	Henry G. Brooks
George W. Wheelwright	Herbert Lyman
John W. Farwell	William C. Williams

We solicit the accounts of individuals, corporations, firms and banks and allow interest.

We are authorized to act as Executor and Trustee under wills, Trustee under individual indentures and Administrator of estates. In the above capacities we now hold over Forty-one Million Dollars (\$41,000,000).

We act as Trustee under Railroad and other corporate mortgages, Transfer Agent, Fiscal Agent and Registrar of Transfers, and have departments admirably equipped to care for this business.

We rent Safe Deposit boxes from \$10 to \$350 per year, affording absolute protection for securities or valuables. Our Safe Deposit Vault is the LARGEST IN NEW ENGLAND.



ESTABROOK & CO.,

Investment Securities

MEMBERS NEW YORK AND BOSTON
STOCK EXCHANGES

15 State Street, Boston
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7 Wall Street
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INCORPORATED

SPECIALISTS IN UNLISTED SECURITIES

TRADED IN ALL PARTS OF THE WORLD

INQUIRIES INVITED

New York, 34 Pine Street

Boston, 53 State Street

MERRILL OLDHAM & COMPANY

We recommend Bonds for Investment

35 Congress Street Boston

International Trust Company

45 Milk Street

Boston, Mass.

115 Summer Street

Capital \$1,500,000

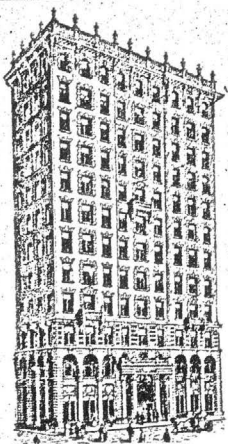
Deposits over \$20,000,000

Surplus \$1,500,000

WITH DIRECT CONNECTIONS THROUGHOUT THE NEW ENGLAND STATES THE INTERNATIONAL TRUST CO. PLACES AT YOUR DISPOSAL THEIR COLLECTION SYSTEM, ASSURING YOU OF PROMPT RETURNS AND CREDITS. CORRESPONDENCE INVITED.

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HENRY L. JEWETT, Vice-Pres. and Sec.	CHESTER B. PIERCE, Asst. Treasurer
CLIFFORD B. WHITNEY, Treasurer	A. EDWARD GARLAND, Asst. Secretary
HOWARD NORTON, Asst. Secretary	



UNION TRUST COMPANY

PROVIDENCE, R. I.

Capital \$1,000,000

Surplus \$500,000

OFFICERS

MARSDEN J. PERRY, Chairman of the Board	HAROLD J. GROSS, Vice-President
ARAM J. POTHIER, President	FRANK E. CHAFEE, Treasurer
GEORGE W. GARDINER, Vice-President	CHARLES H. SHELDON, Secretary
CLINTON F. STEVENS, Asst. Treas. and Asst. Sec'y	

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Specialize in high grade industrial preferred stocks

Underwrite security issues of
established industrial corporations

With our efficient organization we are eminently able to
handle your business

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PHILADELPHIA, PA.
Widener Building
PORTLAND, ME.
Fidelity Building
SYRACUSE, N. Y.
441 S. Salina Street

BALTIMORE, MD.
Munsey Building
BUFFALO, N. Y.
Fidelity Building
NEW YORK, N. Y.
1452 Broadway
PITTSBURGH, PA.
Union Bank Building
SCRANTON, PA.
Mears Building

BANGOR, ME.
15 State Street
MANCHESTER, N. H.
Merchants Bank Building
ONEONTA, N. Y.
234 Main Street
PROVIDENCE, R. I.
Industrial Trust Building
SPRINGFIELD, MASS.
Third National Bank Building
WASHINGTON, D. C.
Woodward Building

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New Guardian Building
GRAND RAPIDS, MICH.
Commercial Bank Building
LOS ANGELES, CAL.
Merritt Building
DES MOINES, IOWA
Securities Building

CINCINNATI, OHIO
Gwynne Bldg.
INDIANAPOLIS, IND.
Merchants Bank Building
ST. LOUIS, MO.
Boatmens Bank Building
MILWAUKEE, WIS.
First National Bank Building
MINNEAPOLIS, MINN.
Andrus Building

DETROIT, MICH.
Book Building
KANSAS CITY, MO.
Ridge Arcade Building
SAN FRANCISCO, CAL.
Mills Building
SEATTLE, WASH.
Arctic Building

Babcock, Rushton & Company

Stocks and Bonds

Investment Securities

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New York Stock Exchange
137 So. La Salle Street, Chicago

Chicago Stock Exchange

Chicago Board of Trade

7 Wall Street, New York

Fort Dearborn National Bank

Capital and Surplus, \$4,000,000.00



UNITED STATES DEPOSITARY

A GENERAL BANKING BUSINESS

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NELSON N. LAMPERT.....
HENRY R. KENT.....
JOHN FLETCHER.....
GEO. H. WILSON.....
MARCUS JACOBOWSKY.....
E. C. TUBBS.....

Vice-Presidents

Cashier

WM. W. LE GROS.....
CHAS. L. BOYE.....
WM. L. MCKEE.....
R. J. MCKAY.....
WM. E. McLALLEN.....
HARRY LAWTON.....

Assistant Cashiers

Manager Foreign Exchange Dept.

A COMPLETELY EQUIPPED FOREIGN EXCHANGE DEPARTMENT

COUNSELLMAN & CO.

Investment Bankers

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MERRILL, COX & Co.

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CHICAGO

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La Salle and Adams Streets

Chicago, Ill.

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WALTER S. BREWSTER

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SUCCESSORS TO

EDWARD L. BREWSTER & CO.

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Trinity Building, NEW YORK

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Chicago Stock Exchange New York Stock Exchange

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Correspondence of Bankers Invited.

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CHICAGO

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NEW YORK

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110 West Monroe Street

Chicago

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New York Cotton Exchange
New York Coffee Exchange

Chicago Stock Exchange
Chicago Board of Trade
New York Produce Exchange

Winnipeg Grain Exchange
St. Louis Merchants' Exchange
Minneapolis Chamber of Commerce

J. HERBERT WARE

EDWARD F. LELAND

WARE & LELAND

STOCKS BONDS GRAIN COTTON

WE SPECIALIZE IN UNLISTED SECURITIES

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61 Broadway, New York

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NEW YORK COTTON EXCHANGE

CHICAGO STOCK EXCHANGE
CHICAGO BOARD OF TRADE

W. G. SOUDERS & COMPANY

INVESTMENT BANKERS

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CHICAGO

Dime Bank Building
DETROIT

First National Bank Building
MILWAUKEE

HIGH GRADE INVESTMENTS

Secured by First Mortgage Bonds of

STEAM RAILROADS

WATER POWERS

ELECTRIC RAILROADS

INDUSTRIALS

PUBLIC SERVICE CORPORATIONS

James D. Lacey Timber Company

Timber Investments and Securities

332 SOUTH MICHIGAN AVENUE

Chicago

40 EAST 42ND STREET
NEW YORK

626 HENRY BLDG.
SEATTLE, WASH.

Municipal Bonds

FREE OF FEDERAL INCOME TAX

Safest Investments Known for Banks and Individuals

Interest from $4\frac{1}{2}$ to 6 per cent.

Apply for Current Circular

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(INCORPORATED)

39 So. LaSalle St., Chicago

BRANCH OFFICE: DIME BANK BUILDING, DETROIT

THE DIME SAVINGS BANK

DETROIT, MICH.

Capital, Surplus and Profits \$2,200,000.00
 Resources over 33,000,000.00

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WILLIAM LIVINGSTONE.....President	DAVID S. CARNEGIE.....Assistant Cashier
GEORGE H. BARBOUR.....Vice-President	CHARLTON E. PARTRIDGE.....Assistant Cashier
CHARLES A. WARREN.....Vice-President and Cashier	CHAS. O. BALL.....Assistant Cashier
F. F. TILLOTSON.....Assistant Cashier	GEORGE T. BREEN.....Auditor
L. C. SHERWOOD.....Assistant Cashier	JOHN D. MORTON.....Credit Manager
JOHN C. BARRON.....Manager of Branches	

Transacts a general banking business Send us your Detroit collections

Union Trust Company

Detroit, Michigan

HENRY M. CAMPBELL
Chairman

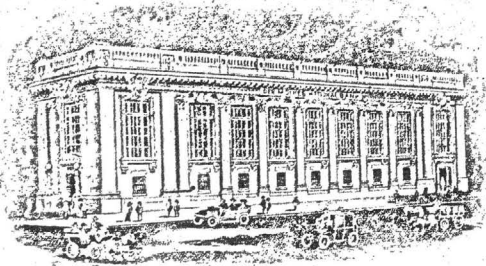
FRANK W. BLAIR
President

Commenced business October 19th, 1891

Now entering upon its twenty-seventh year of highly capable and successful administration of trust business of all kinds. :: :: :: ::

DES MOINES NATIONAL BANK

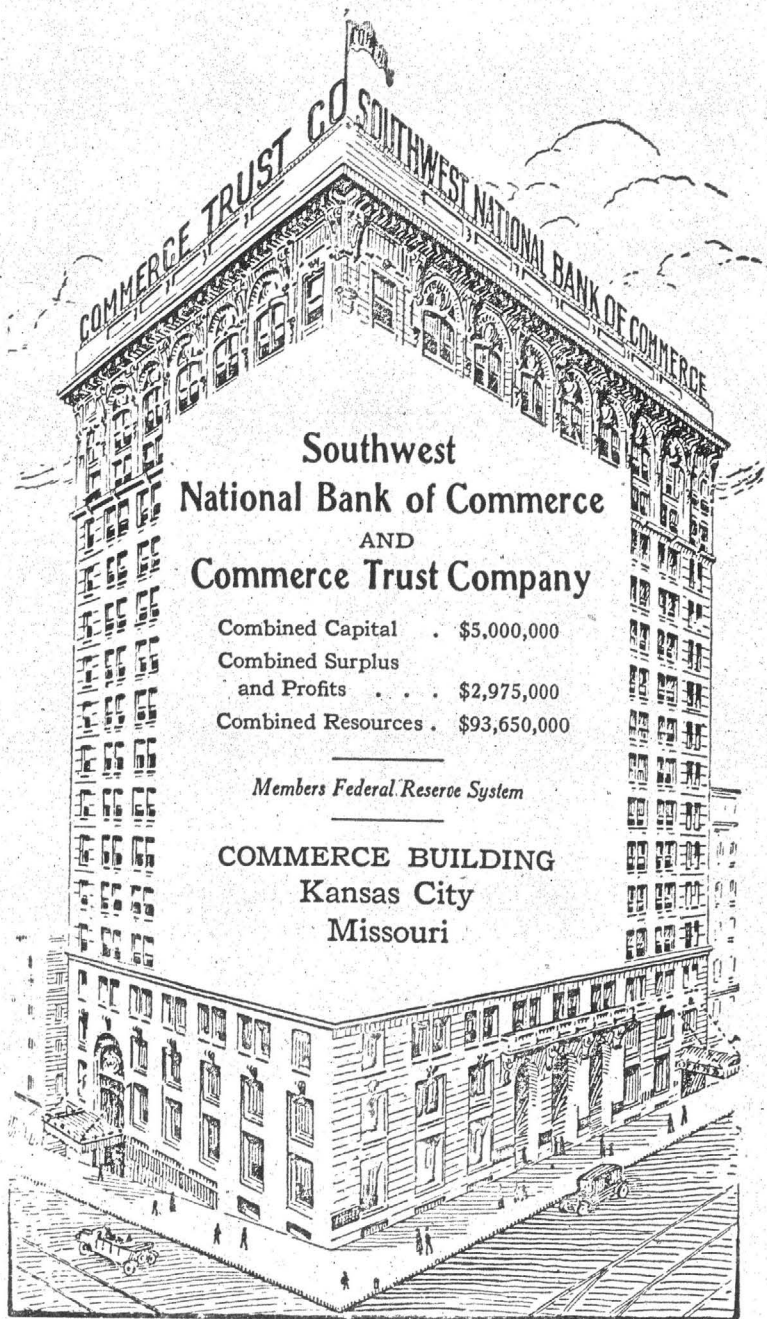
DES MOINES, IA.



Offers its services to all seeking a desirable connection for handling IOWA business. Its central location and large list of correspondents afford facilities unexcelled in this field.

Capital - \$750,000.00
 Surplus - 150,000.00

ARTHUR REYNOLDS <i>President</i>	J. A. CAVANAGH <i>Vice-President</i>	C. A. BARR <i>Vice-President</i>	J. H. HOGAN <i>Cashier</i>	C. A. DIEHL <i>Assistant Cashier</i>
-------------------------------------	---	-------------------------------------	-------------------------------	---



*Large Enough
To Serve Any*



*Strong Enough
To Protect All*

Organized in 1857

THE NATIONAL BANK OF COMMERCE

in St. Louis

*with TEN MILLION capital and extensive
connections insures to its friends*

**STRENGTH, EFFICIENCY
AND PROMPT SERVICE**

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JOHN G. LONSDALE, PRESIDENT

W. L. McDONALD, VICE-PRESIDENT

W. B. COWEN, VICE-PRESIDENT

J. A. LEWIS, VICE-PRESIDENT AND CASHIER

F. W. WRIEDEN, ASSISTANT CASHIER

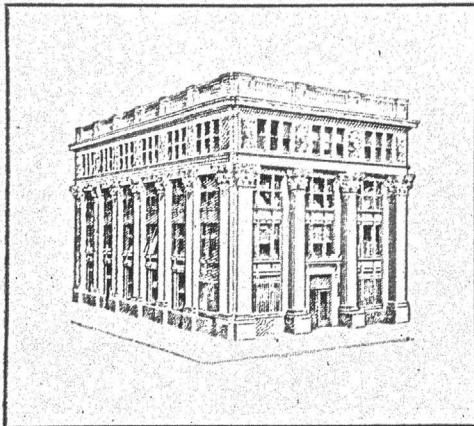
G. N. HITCHCOCK, ASSISTANT CASHIER

A. L. WEISSENBORN, ASSISTANT CASHIER

W. M. CHANDLER, ASSISTANT CASHIER

E. J. MUDD, ASSISTANT CASHIER AND MANAGER DISCT. DEPT.

A. W. THIAS, ASSISTANT CASHIER AND MANAGER CREDIT DEPT.



The International Trust Co.

Denver, Colorado

Member Federal Reserve System

CAPITAL AND SURPLUS, \$1,000,000
RESOURCES - - - - - 15,000,000

JOHN EVANS, President

THEO. G. SMITH, Vice-President H. H. BROOKS, Secretary and Trust Officer
 H. J. ALEXANDER, Vice-President F. G. HARRINGTON, Assistant Secretary
 P. E. CLELAND, Treasurer A. M. CULVER, Manager Safe Deposit Vaults
 H. T. SIBLEY, Manager Bond Department

Transact a General Trust Company Business

The National Bank of Commerce of Seattle

Resources = = = = = over \$18,000,000.00

WE invite the accounts of responsible corporations, firms and individuals, and those of banks and bankers, and are prepared to render prompt and satisfactory service, and to handle Northwestern business upon the most favorable terms.

We shall be pleased to correspond with and to meet the representatives of Eastern and Southern companies which contemplate establishing offices or branches in Seattle, and believe that our resources, experience and extensive connections on the Pacific Coast and in the Orient and Alaska, give us unsurpassed facilities for properly handling any business entrusted to us.

M. F. BACKUS, *President*

J. A. SWALWELL, *Vice President*

F. H. LUCE, *Vice President*

R. S. WALKER, *Cashier*

E. W. BROWNELL, *Assistant Cashier*

R. P. CALLAHAN, *Assistant Cashier*

L. F. KELLOGG, *Assistant Cashier*

BOETTCHER, PORTER & COMPANY DENVER

INVESTMENT SECURITIES

The First National Bank of St. Paul



UNITED STATES DEPOSITORY

Capital	Surplus	Deposits
\$3,000,000	\$2,000,000	\$46,000,000

OFFICERS

LOUIS W. HILL, Chairman Board of Directors	
EVERETT H. BAILEY, President	
CYRUS P. BROWN, Vice-President	EDWIN MOTT, Assistant Cashier
OTTO M. NELSON, Vice-President	HENRY B. HOUSE, Assistant Cashier
MARK SKINNER, Vice-President	CHARLES E. GALL, Assistant Cashier
CHARLES H. BUCKLEY, Cashier	GEORGE H. WICHMAN, Assistant Cashier
MARTIN R. BROWN, Assistant to the Chairman	

Northwestern Trust Company

Capital \$1,000,000 Surplus and Undivided Profits \$250,000

Affiliated with The First National Bank of St. Paul

OFFICERS

LOUIS W. HILL, Chairman Board of Directors	
GEO. P. FLANNERY, President	EDWARD P. DAVIS, Vice-President
JOHN J. TOOMEY, Vice-Pres. and Treas.	A. W. L. WALLGREN, Secretary
RENSLOW P. SHERER, Vice President	H. W. MARTIN, Asst. Sec. and Asst. Treas.
FRED R. CRANE, Mgr. Farm Loan Dept.	

The **Citizens National Bank**
OF LOS ANGELES

Capital, \$1,500,000 Surplus and Profits, \$769,036
Deposits, \$16,000,000

Ample resources to assure consistent service for all commercial accounts
No service this bank can render will be regarded as unimportant

OFFICERS

WM. W. WOODS, Vice-President
M. J. MONNETTE, Vice-President

A. J. WATERS, President
E. T. PETTIGREW, Cashier
GEORGE E. F. DUFFET, Ass't Cashier

GEORGE BUGBEE, Ass't Cashier
H. D. IVEY, Ass't Cashier

WILLIAM R. STAATS CO.

Pacific Coast Securities

LOS ANGELES
105 West Fourth St.

SAN FRANCISCO
477 California St.

PASADENA
65 South Raymond Ave.

The Commercial National Bank of New Orleans

Capital - - - \$300,000

Surplus Earned - 700,000

Send us your Louisiana and Mississippi Collections

OFFICERS

STODDARD JESS President
E. D. ROBERTS . Vice-President JOHN P. BURKE . Vice-President
E. S. PAULY . Vice-President JOHN S. CRAVENS . Vice-President
W. T. S. HAMMOND Cashier
A. C. WAY . . Assistant Cashier E. W. COE . . Assistant Cashier
A. B. JONES . . Assistant Cashier W. C. BRYAN . Assistant Cashier
W. H. LUTZ . Auditor
J. FORSYTH . . Manager Foreign Department



DIRECTORS

J. M. ELLIOTT . . Chairman of Board

<p>JOHN P. BURKE Vice-President</p> <p>JOHN S. CRAVENS Vice-President</p> <p>J. C. DRAKE President Los Angeles Trust and Savings Bank</p> <p>FRANK P. FLINT Attorney</p> <p>M. H. FLINT Vice-President Los Angeles Trust and Savings Bank</p> <p>C. W. GATES Capitalist</p> <p>STODDARD JESS President</p>	<p>H. JEVNE H. Jevne Co.</p> <p>J. O. KOEPFLI Bishop & Co.</p> <p>DAN MURPHY Capitalist</p> <p>E. J. MARSHALL President Torrance, Marshall & Co.</p> <p>JOHN B. MILLER President Southern California Edison Co.</p> <p>E. D. ROBERTS Vice-President</p> <p>F. Q. STORY President California Fruit Growers' Exchange</p>
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The Canadian Bank of Commerce

ESTABLISHED 1867

CAPITAL, \$15,000,000

RESERVE, \$13,500,000

SIR EDMUND WALKER, C.V.O., LL.D., D.C.L., President
SIR. JOHN AIRD, General Manager H. V. F. JONES, Ass't General Manager
S. H. LOGAN, Supervisor of Foreign Department



HEAD OFFICE, TORONTO

This bank, having 374 branches in Canada, is enabled to place at the disposal of its Correspondents unexcelled facilities for the transaction of every kind of banking business throughout the Dominion. Special attention given to the collection of Commercial paper.

ACCOUNTS OF AMERICAN BANKS RECEIVED ON
FAVOURABLE TERMS—CORRESPONDENCE INVITED

New York Agency—16 Exchange Place

F. B. Francis, J. A. C. Kemp and C. J. Stephenson, Agents

PORTLAND BRANCH
F. C. Malpas, *Manager*

SEATTLE BRANCH
E. B. Ireland, *Manager*

SAN FRANCISCO BRANCH
G. W. B. Heathcote, *Manager*

MEXICO CITY BRANCH
D. Muirhead, *Manager*

LONDON, ENGLAND, OFFICE, C. Cambie, *Manager*

The Royal Bank of Canada

INCORPORATED 1869

Capital Authorized - - - - - \$25,000,000
 Capital Paid Up - - - - - 12,911,700
 Reserve and Undivided Profits - - - 14,324,000
 Aggregate Assets - - - - - 300,000,000

Head Office, Montreal

BOARD OF DIRECTORS

Sir HERBERT S. HOLT, President E. L. PEASE, Vice-President
 E. F. B. JOHNSTON, K. C., 2nd Vice-President

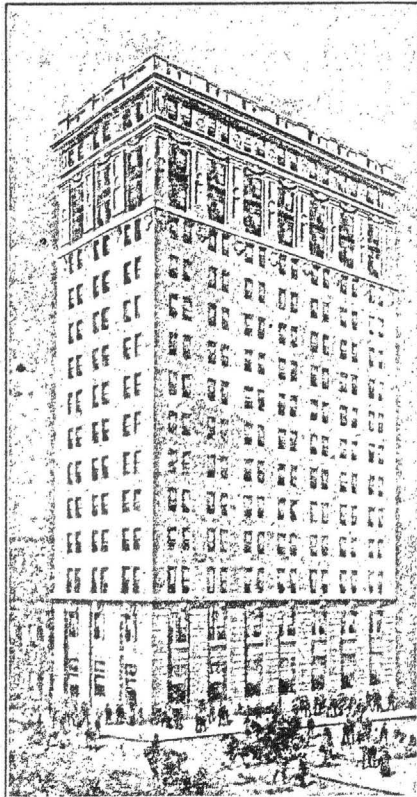
JAS. REDMOND	HUGH PATON	W. J. SHEPPARD	C. E. NEILL	C. C. BLACKADAR
G. R. CROWE	WM. ROBERTSON	C. S. WILCOX	SIR MORTIMER B. DAVIS	JOHN T. ROSS
D. K. ELLIOTT	A. J. BROWN, K.C.	A. E. DYMENT	G. H. DUGGAN	R. MacD. PATERSON
HON. W. H. THORNE				G. G. STUART, K.C.

E. L. PEASE, *Managing Director*

C. E. NEILL, *General Manager*

F. J. SHERMAN, *Asst. General Manager*

W. B. TORRANCE, *Supt. of Branches*



NEW YORK AGENCY, THE ROYAL BANK OF CANADA
 Corner William and Cedar Streets
 The entire ground floor of this building has been
 secured under a long lease

Branches in Canada:

176 in Ontario and Quebec
 78 in Maritime Provinces
 68 in Central Western Provinces
 38 in British Columbia

6 Branches in Newfoundland

Branches in West Indies:

Cuba—Havana, Santiago and 22 other points
 Porto Rico—San Juan and 2 other points
 Dominican Republic—Santo Domingo and 4 other
 points
 Antigua—St. John's; Bahamas—Nassau; Barbados
 —Bridgetown and Speightstown; Dominica—
 Roseau; Grenada—St. George's; Jamaica—
 Kingston; St. Kitts—Basseterre; Trinidad—
 Port of Spain, San Fernando and Scarborough
 (Tobago)

Branches in Central and South America

British Honduras—Belize
 British Guiana—Georgetown (Demerara); etc.
 Costa Rica—San Jose, Limon
 Venezuela—Caracas, Ciudad Bolivar, Maracaibo and
 Puerto Cabello

LONDON, Eng.
 Princes St., E. C.

NEW YORK
 Cor. William and Cedar Sts.

COLLECTIONS in Canada, South and
 Central America and the West Indies, etc.,
 handled promptly and on favorable terms

A GENERAL BANKING BUSINESS TRANSACTED

ESTABLISHED 1875

IMPERIAL BANK OF CANADA

Capital Paid up \$7,000,000 Reserve Fund \$7,000,000

PELEG HOWLAND, President

E. HAY, Gen'l Mgr.

HEAD OFFICE—TORONTO

We solicit the Canadian Business of American Banks at any of our Branches.
Prompt Attention is Assured.

126 BRANCHES IN CANADA

AGENTS

New York

Bank of the Manhattan Company.

Boston

National Shawmut Bank

Philadelphia

Fourth Street National Bank,
Farmers and Mechanics National Bank

Buffalo

Bank of Buffalo

Detroit

First and Old Detroit National Bank

Chicago

First National Bank,
Corn Exchange National Bank

Great Britain

Lloyds Bank, Limited, Head Office, Lombard Street, London, E. C.

CORRESPONDENCE INVITED

CANADIAN GOVERNMENT MUNICIPAL AND CORPORATION BONDS

SERVICE

Sixteen years of service to investors in Canadian Bonds places us in a position to offer all facilities to aid in satisfactory buying, selling or investigating this security.

Any enquiry with respect to Municipal, Railroad, Public Utility or Standard Industrial issues of the Dominion of Canada will receive our best attention and advice.

We invite enquiries.

DOMINION SECURITIES CORPORATION

LIMITED.

Established 1901

HEAD OFFICE
26 KING STREET EAST
TORONTO

E. R. Wood - - - President
O. A. Morrow - Vice-President
J. W. Mitchell - Vice-President
J. A. Fraser - - - Secretary
W. S. Hodgson - Treasurer
T. H. Andison - Asst Secretary
A. F. White - - - Asst Treasurer

MONTREAL BRANCH
Canada Life Building
R. W. Steele - - Manager
LONDON, ENG., BRANCH
No. 2 Austin Friars
A. L. Fullerton, Manager

UNION BANK OF CANADA

HEAD OFFICE, WINNIPEG

CAPITAL AND SURPLUS - \$8,500,000.00
 TOTAL ASSETS - - \$112,300,000.00

Officers

Sir William Price, Hon. President
 R. T. Riley, G. H. Thomson, Vice-Presidents
 John Galt, President
 H. B. Shaw, General Manager
 J. W. Hamilton, Asst. General Manager

Advisory Committees

New York { STUYVESANT FISH, Esq.,
 Col. CORNELIUS VANDERBILT, Esq.,
 GILBERT G. THORNE, Esq.
 London { Lieut.-Col. J. LEIGH WOOD, C.M.G.
 Lieut.-Col. The Hon. SYDNEY PEEL
 F. W. ASHE, Esq.

**310
 Branches
 in Canada**

With branches located in all the principal cities and towns in Canada, the Bank is particularly well equipped to handle collections or other business entrusted to it by American Banks

TWO BRANCHES IN LONDON, ENGLAND

**Canadian
 Information**

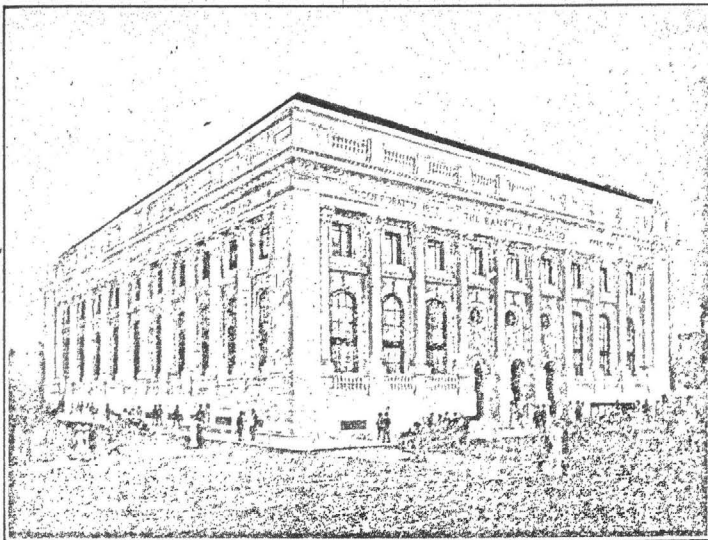
The New York Agency Statistical Department will furnish on application information respecting Canadian investments, industrial opportunities and reports upon Canadian Companies, firms and others.

NEW YORK AGENCY } Geo. Wilson } Agents
 49 WALL STREET } F. T. Short }

BANK OF TORONTO

HEAD OFFICE: TORONTO, CANADA

INCORPORATED 1855



HEAD OFFICE: TORONTO, CANADA

Capital \$5,000,000
 Reserved Funds 6,508,000

Complete facilities for making prompt collections throughout Canada and for banking business of every description.

AGENTS IN UNITED STATES

NEW YORK, Nat. Bank of Commerce
 CHICAGO, First National Bank
 BUFFALO, Manufacturers' & Traders' National Bank
 ST. LOUIS, National Bank of Commerce.

W. G. GOODERHAM, President
 JOSEPH HENDERSON, Vice-Pres.

THOS. F. HOW, General Manager

119 Branches in Ontario, Quebec and the West
ASSETS, \$73,000,000

Canadian Government and Municipal Bonds

Our lists comprise the highest grade Municipal
and Government Bonds obtainable in Canada.

Correspondence invited.

Wood, Gundy & Company

Toronto

14 Wall Street, New York

London

The Merchants Bank of Canada

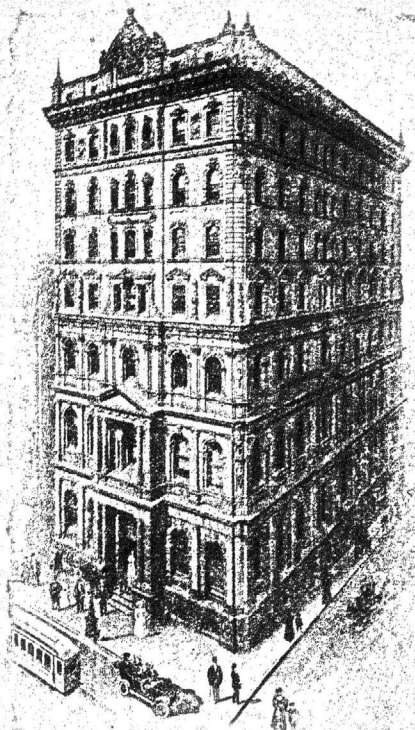
ESTABLISHED 1864

Head Office: MONTREAL

Capital Paid Up
\$7,000,000

Rest \$7,000,000

Undivided Profits \$421,292



Sir H. MONTAGU ALLAN, President
K. W. BLACKWELL, Vice-President
E. F. HEBDEN, Managing Director
D. C. MACAROW, General Manager

CANADIAN COLLECTIONS

Having 236 Branches and Agencies in Canada, and correspondents in every town from coast to coast, this Bank's facilities for making collections throughout the Dominion are unsurpassed.

Canadian Checks cashed, and money transferred to Canada by mail or telegraph, on favorable terms by the

NEW YORK AGENCY :: 63-65 WALL STREET

W. M. RAMSAY, C. J. CROOKALL, Agents

Telephones, Hanover 8057-8058

INCORPORATED 1855

THE MOLSONS BANK

Head Office: MONTREAL
98 BRANCHES IN CANADA

Capital Paid Up	- - - - -	\$4,000,000
Reserve Fund	- - - - -	4,800,000
Total Assets Over	- - - - -	64,000,000

EDWARD C. PRATT, General Manager

**SPECIAL ATTENTION GIVEN TO COLLECTIONS
RECEIVED FROM THE UNITED STATES**



A. E. AMES & CO.

(Established 1889)

INVESTMENT SECURITIES

CANADIAN

Government, Municipal and Corporation
Bonds and Stocks

Members Toronto Stock Exchange

74 Broadway, New York
53 King Street West, Toronto.

Transportation Building, Montreal

THE BANK OF BRITISH NORTH AMERICA

Established in 1836. Incorporated by Royal Charter in 1840

Paid-up Capital \$1,000,000

Reserve Fund £620,000

HEAD OFFICE, 5 GRACECHURCH ST., LONDON, E. C.

F. R. S. BALFOUR
JOHN H. BRODIE
J. H. MAYNE CAMPBELL

COURT OF DIRECTORS
EDW. ARTHUR HOARE
E. G. HOARE
HON. A. R. MILLS, M.P.

FREDERIC LUBBOCK
C. W. TOMKINSON
GEO. DUNBAR WHATMAN

JACKSON DODDS, Secretary

W. S. GOLDBY, Manager

ADVISORY COMMITTEE IN MONTREAL

SIR HERBERT B. AMES, M.P.

W. R. MACINNES

W. R. MILLER

Head Office in Canada, 140 St. James St., Montreal

H. B. MACKENZIE, General Manager
JAMES ANDERSON, Superintendent of Branches
O. R. ROWLEY, Superintendent of Eastern Branches, Montreal
J. McEACHERN, Superintendent of Central Branches, Winnipeg
J. H. GILLARD, N. V. R. HUUS, } Inspectors, Montreal
and A. S. MINNION } A. S. HALL, Inspector of Branch Returns

AGENCIES IN THE UNITED STATES

NEW YORK (Opened 1843) 52 WALL STREET

W. T. OLIVER and P. C. HARRISON, Agents

SAN FRANCISCO, A. G. FRY and A. S. IRELAND, Agents 264, California St.

FOREIGN AGENTS—LONDON—The Bank of England and Messrs. Glyn & Co. LIVERPOOL—Bank of LIVERPOOL.
SCOTLAND—National Bank of Scotland, Limited, and Branches. IRELAND—Provincial Bank of Ireland, Limited, and
Branches; National Bank, Limited, and Branches. AUSTRALIA—Union Bank of Australia, Limited. NEW ZEALAND—
Union Bank of Australia, Limited. INDIA, CHINA and JAPAN—Hong Kong & Shanghai Banking Corporation; also
Mercantile Bank of India, Limited. WEST INDIES—Colonial Bank. PARIS—Credit Lyonnais. LYONS—Credit Lyon-
nais. MEXICO—Banco de Londres y Mexico and Branches.

Drafts on South Africa and West Indies may be obtained at the Bank's Branches
Issues Travellers Credits available in all parts of the World

AGENTS IN CANADA FOR COLONIAL BANK, LONDON, AND WEST INDIES

THE MICHIGAN TRUST COMPANY GRAND RAPIDS, MICH.

Capital - - - - \$200,000 Surplus - - - - \$800,000

LEWIS H. WITHEY, President
WILLARD BARNHART, 1st Vice-Prest.
HENRY IDEMA, 2nd Vice-Prest.
F. A. GORHAM, 3rd Vice-Prest.

CLAUDE HAMILTON, 4th Vice-Prest.
JOHN H. SCHOUTEN, Secretary
EMERSON W. BLISS, Asst. Secretary
NOYES L. AVERY, 2d Asst. Secretary

Acts as Executor, Administrator, Guardian, Trustee, Receiver, Assignee, etc. Loans Money on
Real Estate. Takes entire charge of Property. Audits books. Has High
Grade Bonds and other Securities for sale.

The National Bank of New Zealand

LIMITED.

*Incorporated in England under the Companies Acts and
in New Zealand by Special Act of the General Assembly.*

HEAD OFFICE: 17, MOORGATE STREET, LONDON, E. C.

AUTHORISED CAPITAL	-	-	-	-	£3,000,000
SUBSCRIBED	„	-	-	-	2,250,000
PAID-UP	„	-	-	-	750,000
RESERVE FUND	-	-	-	-	£715,000
UNCALLED CAPITAL	-	-	-	-	£1,500,000

Directors:

HON. HENRY STUART LITTLETON, Chairman.	ROBERT LOGAN.
JAMES H. B. COATES.	HON. WILLIAM PEMBER REEVES.
CHARLES ELGAR.	LINDSAY ERIC SMITH.
HENRY F. FRESHWATER.	

Secretary and London Manager: ARTHUR WILLIS

BRANCHES AND AGENCIES IN NEW ZEALAND:

ALEXANDRA SOUTH	GORE	PAEROA
AUCKLAND	Waikaia Agency	PALMERSTON NORTH
Do. SYMONDS STREET	GREYMOUTH	PAPAROA
Do. NEWMARKET	HAMILTON	Maungaturoto Agency
Do. NEWTON	Matangi Agency	PORT CHALMERS
BALCLUTHA	HASTINGS	PUKEKOHE
Kaitangata Agency	HOKITIKA	Tuakau Agency
Owaka Agency	INVERCARGILL	REEFTON
BLENHEIM	KUROW	RIVERTON
CHRISTCHURCH	Duntroon Agency	Orepuki Agency
CROMWELL	MILTON	Thornbury Agency
DARGAVILLE	MOSGIEL	STRATFORD
Aratapu Agency	NAPIER	TAPANUI
Te Kopuru Agency	NELSON	Heriot Agency
Kaihu Agency	NEW PLYMOUTH	TIMARU
DUNEDIN	Okato Agency	WAIHI
Do. NORTH	OAMARU	WAIUKU
Do. SOUTH (Agency)	ONEHUNGA	Aka Aka Agency
GISBORNE	OTAUTAU	Otaua Agency
	Nightcaps Agency	WANGANUI
	OUTRAM	WELLINGTON
		Do. TE ARO

CHIEF OFFICE IN NEW ZEALAND. — WELLINGTON.

General Manager: D. W. DUTHIE.

Assistant General Manager and Inspector: J. M. McLEAN

The Bank issues DRAFTS and LETTERS OF CREDIT, makes Telegraphic Transfers, opens Current Accounts, negotiates and collects Bills of Exchange. Receives Deposits of £50 and upwards for 1, 2 or 3 years at 4 per cent. per annum, and conducts every other description of banking business. Correspondents in all parts of the world.

National Bank of Egypt

(Established under Egyptian Law, June, 1898,

With the exclusive right to issue Notes payable at sight to bearer.)

Capital - - - - **£3,000,000**

In 300,000 Shares of £10 each, fully paid.

Reserve Fund - - - - - **£1,300,000**

Governor
F. ROWLATT, ESQ.

Head Office
CAIRO

London Committee

E. W. P. FOSTER, ESQ., C. M. G.
HON. ALGERNON MILLS

SIR CARL MEYER, BART.
HON. SIDNEY PEEL, D. S. O.

London Agency

6 & 7, King William Street, E. C. 4

Manager
J. T. BEATY-POWNALL

Assistant Manager
A. F. GILLBEE

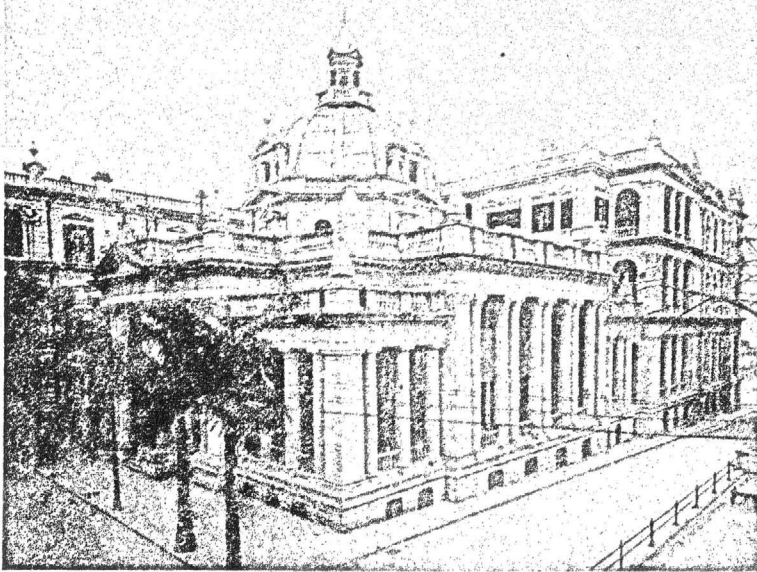
The National Bank of Egypt transacts all kinds of banking business, including:

Current Accounts, Fixed Deposits, Circular Notes, Foreign Exchange, Drafts and Telegraphic Transfers, Stocks and Shares, Collection of Bills, etc.

Offices in Egypt at Cairo (Head Office), Alexandria, Assiout, Assuan, Benha, Beni-Suef, Chibin-El-Kom, Damanhur, Fayoum, Keneh, Luxor, Mansourah, Minieh, Mousky (Cairo), Port Said, Rod-el-Farag (Cairo), Sohag, Tantah, Zagazig; and in the Sudan at Khartoum, Port Sudan, Suakim, and the Sub-Agencies at El-Abeid, Tokar and Wad Medani.

HONGKONG AND SHANGHAI BANKING CORPORATION

HONGKONG, CHINA



HEAD OFFICE, HONGKONG AND SHANGHAI BANKING CORPORATION, HONGKONG

THE Head Office of the Hongkong and Shanghai Banking Corporation is located in Hongkong, China. It was incorporated by Special Ordinance of the Legislative Council of Hongkong, in 1867. It has a paid up Capital of Hongkong currency **\$15,000,000**; Sterling Reserve Fund, **\$15,000,000**; Silver Reserve Fund, **\$18,500,000**. Reserve liability of Proprietors, **\$15,000,000**. December 31, 1916, the current accounts (gold and silver) were **\$203,917,063.31** and the fixed deposits were **\$99,150,736.79** and total assets **\$402,812,944.59**.

It has 36 Branches and Agencies in China, Japan, India, Java, Straits Settlements, Philippines, etc., and Agencies and Correspondents in all the principal cities of the world.

WADE GARDNER, Agent
36 Wall St., New York

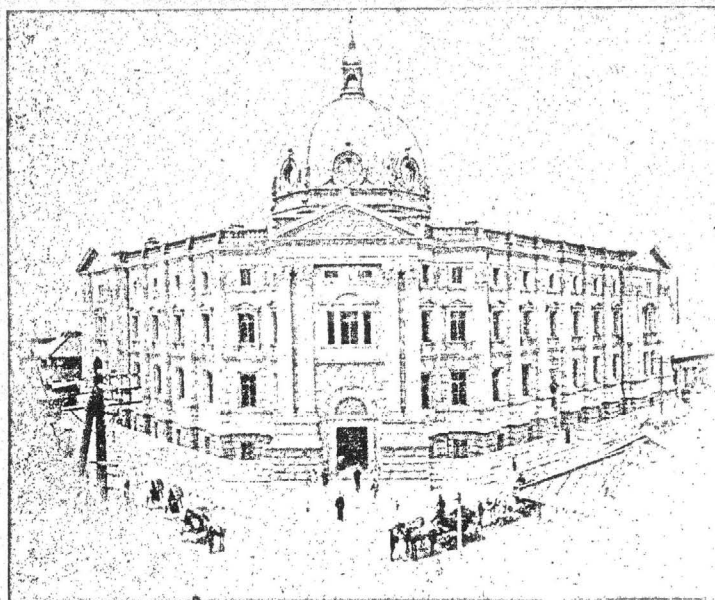
The Yokohama Specie Bank, Ltd.

Yokohama, Japan

Subscribed Capital, Yen 48,000,000

Capital Paid-up, Yen 36,000,000

Reserve Fund, Yen 21,300,000



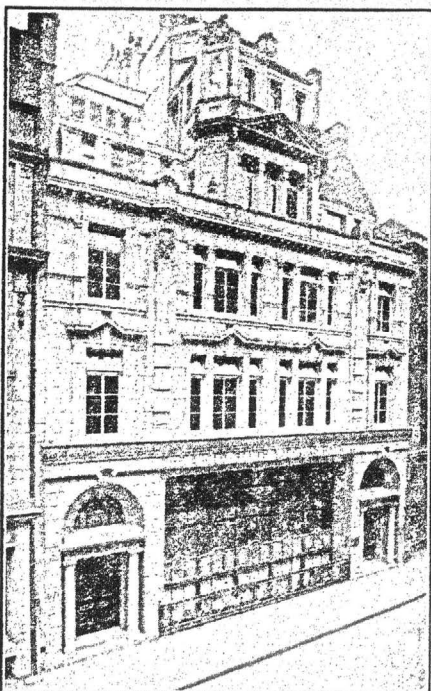
HEAD OFFICE: YOKOHAMA

BRANCHES AND AGENCIES:

Antung-Hsien	Nagasaki
Bombay	Newchwang
Calcutta	New York
Changchun.	Osaka
Darien (Dalny)	Peking
Fengtien(Mukden)	Ryojun(PortArthur)
Hankow	San Francisco
Harbin	Shanghai
Honolulu	Singapore
Hong Kong	Sydney
Kobe	Tiehling
Liaoyang	Tientsin
London	Tokyo
Los Angeles	Tsinanfu
Lyons	Tsingtau

ANGLO-SOUTH AMERICAN BANK, L^D

LONDON



HEAD OFFICES, OLD BROAD STREET, LONDON

Bills on Europe, South America,
Australasia, India and South Africa,
Purchased and Collected.

CAPITAL, (450,000 shares of £10 each)	£4,500,000 or \$22,500,000
PAID UP,	£2,250,000 or \$11,250,000
RESERVE FUND,	£1,400,000 or \$ 7,000,000
RESERVE LIABILITY OF SHAREHOLDERS	£2,250,000 or \$11,250,000
TOTAL RESPONSIBILITY FOR CREDITORS	£5,900,000 or \$29,500,000

BANKERS:

Bank of England—Barclay & Co., Ltd.—Capital & Counties
Bank, Ltd.—London County and Westminster Bank, Ltd.

BRANCHES:

FRANCE: Paris. SPAIN: Barcelona, Bilbao, Madrid. CHILI:
Valparaiso, Santiago, Iquique, Antofagasta, Copiapó, Co-
quimbo, La Serena, Chillan, Concepcion, Punta Arenas,
Talcahuano. ARGENTINA: Buenos Aires, Bahia Blanca,
Deseado, Mendoza, Rio Gallegos, Rosario de Santa Fé, San
Rafael, Trelew. URUGUAY: Monte Video.

NEW YORK AGENCY, 60 WALL STREET

JOHN CONE, Agent

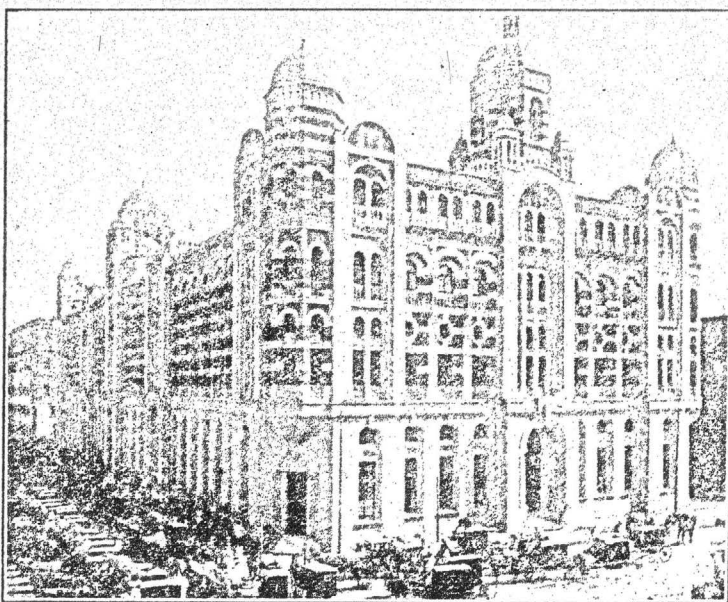
FREDERICK CHARLES HARDING, Sub-Agent

Also Correspondents for:—

NATIONAL BANK OF INDIA, LTD.

Chartered Bank of India, Australia and China

Incorporated by Royal Charter, 1853



CALCUTTA OFFICE

Capital (Gold)
\$6,000,000.00

Reserve Fund
\$9,500,000.00

Reserve Liability of
Shareholders
\$6,000,000.00

Undivided Profits
\$787,325.00

Total Assets
\$166,954,205.00

Branches in China, Japan,
Philippine Islands, Java,
Straits Settlements, India and
Burmah, and Agencies in all
the principal cities of Europe
and Australia. Commercial
and Travelers' Credits issued,
available in all parts of the
world. Foreign exchange
bought and sold.

Head Office: 38 Bishopsgate, LONDON, ENGLAND

WILLIAM BAXTER, Agent, 88 Wall Street, NEW YORK



The National Bank of South Africa, Limited

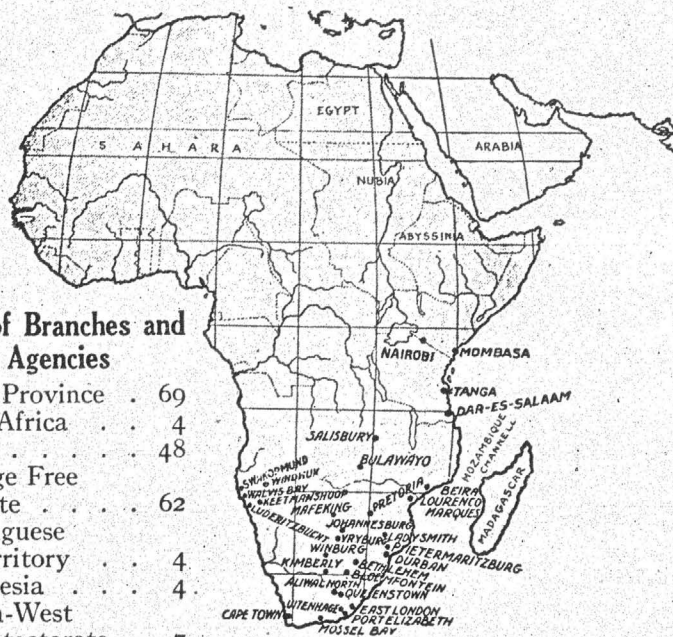
BANKERS TO THE UNION GOVERNMENT IN THE TRANSVAAL,
THE ORANGE FREE STATE, AND NATAL, AND
TO THE IMPERIAL GOVERNMENT

Subscribed Capital - - - - - \$14,250,000
With power to increase to - - - - - \$20,000,000
Paid-up Capital and Reserves - - - - - \$17,750,000

Head Office: PRETORIA, GENERAL MANAGER, E. C. REYNOLDS

London Offices: Circus Place, London Wall, E. C., 18 St. Swithin's Lane, E. C. 4

MANAGER; D. CUNNINGHAM



List of Branches and Agencies

Cape Province	. 69
East Africa	. . . 4
Natal	. . . . 48
Orange Free State	. . . . 62
Portuguese Territory	. . . 4
Rhodesia	. . . . 4
South-West Protectorate	. . . 7
Swaziland	. . . . 1
Transvaal	. . . 109

MAP SHOWING LOCATION OF PRINCIPAL BRANCHES

OVER 300 BRANCHES IN SOUTH AFRICA

Banking Business of Every Description is Transacted in All Branches

Bills on all points negotiated and collected. Letters of Credit and Drafts issued and Commercial Credits established on all Branches and Agencies of the Bank in Africa and abroad.

New York Office, 10 Wall Street, New York City, U. S. A.

R. E. SAUNDERS, AGENT

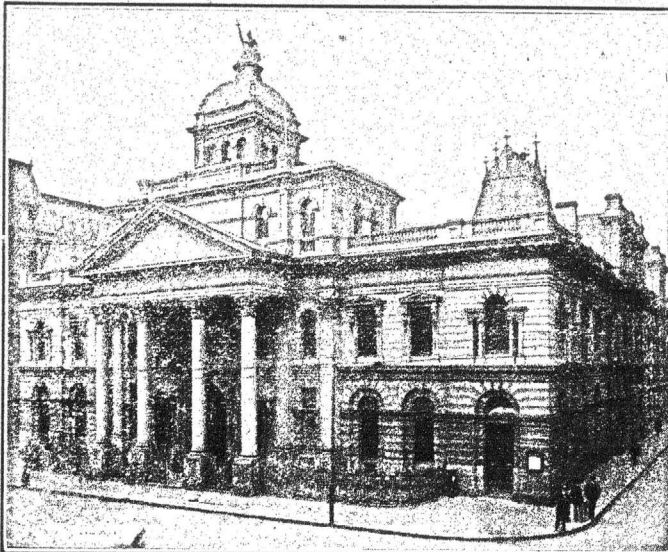
Offers to American banks and bankers its superior facilities for the extension of trade and commerce between United States of America and Africa

Standard Bank of South Africa, Ltd.

HEAD OFFICE

10 CLEMENTS LANE, LOMBARD STREET, LONDON, E. C.

Paid-up Capital.....	£1,548,525 or	\$7,742,625
Reserve Fund.....	£2,000,000 or	\$10,000,000
Reserve Liability of Shareholders.....	£4,645,575 or	\$23,227,875
Deposits.....	£25,338,128 or	\$126,690,640
Total Resources.....	£35,192,009 or	\$175,960,045



Bank Premises, Cape Town, Africa

Bankers to the Government of the Union of South Africa in the Cape Province; to the Imperial Government in South Africa; and to the Administration of Rhodesia.

More than Two Hundred and Fifty Branches and Agencies in Cape Province, Natal, Transvaal, Orange Free State, Basutoland, Rhodesia, British Central Africa, Uganda, East Africa and South West Africa.

W. H. MACINTYRE
AGENT

68 WALL ST., NEW YORK

Also representing

The Bank of New South Wales
with three hundred and thirty-seven (337) Branches throughout Australasia, Fiji, Papua (New Guinea).

BANK OF NEW SOUTH WALES

(Established 1817)

Total Assets, at 31st March, 1917

\$287,130,048.00



LONDON DIRECTORS
SIR FREDERICK GREEN, Chairman
H. L. M. TRITTON, Esq.
W. S. M. BURNS, Esq.
DAVID GEORGE, Mgr.
HALKERSTONE MELDRUM, Asst. Mgr.

Paid-up Capital	-	-	\$19,474,900.00
Reserve Fund	-	-	14,000,000.00
Reserve Liability of Proprietors	-	-	19,474,900.00
			\$52,949,800.00

Head Office, SYDNEY, NEW SOUTH WALES

London Office, 29, Threadneedle Street, E. C. 2

The Bank has 337 BRANCHES and AGENCIES in the Australian States, New Zealand, Fiji, Papua (New Guinea), and London, and Agents and Correspondents all over the World, on whom the London Office grants Circular Letters of Credit and Circular Notes. Also issues Drafts on demand. Makes Mail and Cable Transfers. Negotiates and Collects Bills of Exchange. Receives Deposits for Fixed Periods, on terms which may be known on application, and transacts every description of Australian Banking Business. Wool and Produce Credits arranged.

Represented in New York by the
Standard Bank of South Africa, Ltd., 68 Wall Street

THE CAPITAL AND COUNTIES BANK, Limited

ESTABLISHED 1834

HEAD OFFICE: 39 Threadneedle Street, LONDON

(\$5 = £1.)

Subscribed Capital.....	\$43,750,000
Paid-up Capital.....	8,750,000
Reserve Fund.....	4,000,000

Dec. 31, 1916.

Deposit and Current Accounts.....	261,914,700
Cash in hand, at Call and Short Notice.....	89,033,465
Investments.....	79,398,580
Bills of Exchange, Advances and other Securities.....	106,232,700

This Bank has upwards of 500 offices in England and Wales, and it has over 11,000 Shareholders.

Every kind of Banking business transacted

The FOREIGN EXCHANGE DEPARTMENT

issues Currency Drafts on all Cities—Letters of Credit and Notes payable throughout the World—Mail and Telegraphic Transfers. Approved Freight Bills purchased. Commercial Credits established available anywhere against usual shipping documents. Shipowners' Freight Remittances and Disbursements to all parts.

FOREIGN BILLS COLLECTED

The Bank acts as Agents for American Banks and Trust Companies and invites correspondence.

AGENTS IN THE UNITED STATES AND CANADA

NEW YORK—The National City Bank of New York	PHILADELPHIA—Philadelphia National Bank
The National Park Bank	SAN FRANCISCO—The Wells Fargo Nevada National Bank
American Exchange National Bank	SEATTLE—Seattle National Bank
BOSTON—The First National Bank of Boston	MONTREAL—The Bank of Montreal
CHICAGO—The First National Bank of Chicago	TORONTO—The Canadian Bank of Commerce
CABLE ADDRESS: Elmfield, London	
CODES: Liebers, Western Union, Peterson's International	

Swiss Bank Corporation

ESTABLISHED 1872

BASLE, ZURICH, ST. GALL, GENEVA, LAUSANNE, BIENNE.

Capital Authorized and Fully Paid Up	frs. 82 000 000.-
Reserve	frs. 27 750 000.-

LONDON OFFICE - - - - - 43, LOTHBURY, E. C. 2

GENERAL MANAGER: X. CASTELLI

The Bank wish to draw the special attention of the American public to their WEST END BRANCH: 11c, Regent Street, Waterloo Place, S. W. 1., which has large visitors' rooms and is situated in the very centre of the WEST END and in the immediate neighbourhood of all the important hotels.—Special arrangements are being made for dealing with the financial requirements of

Members of the American Military and Naval Forces

Traveller's cheques cashed, and telegraphic and mail payments made to all Allied and Neutral Countries.

THE
LONDON CITY & MIDLAND BANK

LIMITED.

ESTABLISHED 1836.

Head Office—

5, THREADNEEDLE STREET, LONDON, E.C. 2

Telegraphic Address—"CIMIDHO, STOCK, LONDON."

Telephone—2481 LONDON WALL

Foreign Branch Office—8, FINCH LANE, LONDON, E. C. 3

SUBSCRIBED CAPITAL	-	-	-	-	\$114,739,020
PAID-UP CAPITAL	-	-	-	-	23,903,960
RESERVE FUND	-	-	-	-	20,000,000

Current Deposits and other Accounts	-	-	-	-	\$902,086,245
Cash in Hand & at Bank of England	-	-	-	-	182,388,565

OVER 1000 OFFICES IN THE UNITED KINGDOM

Sir Edward H. Holden, Bart., Chairman

LONDON COUNTY AND WESTMINSTER BANK

LIMITED

(ESTABLISHED IN 1836)

CAPITAL	£	14,000,000,	In	700,000	Shares of	£	20 each
Paid-up Capital	=	=	=	=	=	=	£3,500,000
Reserve	=	=	=	=	=	=	£4,000,000

Chairman:

THE RIGHT HON. THE VISCOUNT GOSCHEN

Deputy Chairman:

WALTER LEAF, ESQ.

HEAD OFFICE: 41, LOTHBURY, E. C. 2

Joint General Managers:

F. J. BARTHORPE

J. W. BUCKHURST

The Bank is represented by Branches or Agents in all the Principal Cities and Towns of the United Kingdom and has Correspondents throughout the World.

MADRID BRANCH: CALLE DE ALCALÁ 43.

PARIS:

LONDON COUNTY & WESTMINSTER BANK (PARIS) LIMITED,
22, PLACE VENDÔME.

Sums of £10 and upwards received on deposit, and interest allowed thereon.
Every description of British and Foreign banking business transacted.
EXECUTOR AND TRUSTEE DUTIES UNDERTAKEN.



LLOYDS BANK LIMITED.

HEAD OFFICE : 71, LOMBARD STREET, LONDON, E.C. 3.

CAPITAL SUBSCRIBED	-	-	(\$5 = £1.)	\$156,521,000
CAPITAL PAID UP	-	-		25,043,360
RESERVE FUND	-	-		18,000,000
DEPOSITS, &c.	(June, 1917)			705,268,005
ADVANCES, &c.	do.			337,869,515

THIS BANK HAS NEARLY 900 OFFICES IN ENGLAND AND WALES.

AMERICAN NAVAL and MILITARY FORCES.

LLOYDS BANK (FRANCE) LIMITED

offers the services of its BRANCHES at

PARIS, BORDEAUX, HAVRE, BIARRITZ and NICE,

for negotiating U.S. Treasury Drafts, Cheques and Bank Notes, and transacting all kinds of banking business.

WILLIAMS DEACON'S BANK, LTD.

FOUNDED 1771-1836

Members of The London Clearing House

TOTAL ASSETS 31st December, 1916, £27,822,940

MANCHESTER OFFICE

Mosley Street, Manchester

LONDON OFFICE

20 Birchin Lane, Lombard St., E. C. 3

(WEST END OFFICE: 2 Cockspur St., S. W. 1)

and 113 other Offices including

BOLTON, BLACKBURN, CHESTERFIELD, CHORLEY, PRESTON,
ROCHDALE, ROTHERHAM, SHEFFIELD, STOCKPORT AND WIGAN.

Every description of British and Foreign Banking transacted.

CRÉDIT LYONNAIS

Capital (fully paid) Frs. 250,000,000

Reserve fund Frs. 175,000,000

HEAD OFFICE, LYONS

CENTRAL OFFICE

19 Boulevard des Italiens, Paris

LONDON OFFICE

40 Lombard Street, E.C. 3

LONDON WEST END OFFICE

4 Cockspur Street, S.W. 1

390 branches in France, Algeria and Tunis, and also at Alexandria, Barcelona, Brussels, Cairo, Constantinople, Geneva, Jerusalem, Madrid, Moscow, Odessa, Port Said, Petrograd, San Sebastian, Seville, Smyrna, Valencia. Correspondents in Lisbon and Oporto: Credit Fraeco-Portugais.

Issue of Letters of Credit payable throughout the world and of currency drafts on all countries. Mail and Telegraphic Transfers. Collection of Drafts and Documents. Approved foreign bills purchased. Collection of Shipowners' Freight Remittances and Disbursements to all parts. Stock orders executed on the Paris, London and other Stock Exchanges.

The Union of London & Smiths Bank, Ltd.

HEAD OFFICE

2 Princes Street, London, England

	STERLING
AUTHORIZED CAPITAL.....	£25,000,000
SUBSCRIBED CAPITAL.....	£22,934,100
PAID UP CAPITAL.....	£3,554,785
RESERVE FUND.....	£1,150,000
DEPOSITS & CURRENT ACCOUNTS, 30th JUNE 1917.....	£51,527,370

SIR FELIX SCHUSTER, BART.,
Governor.

LINDSAY ERIC SMITH,
Deputy Governor.

GENERAL MANAGERS

H. H. HART (Town and Foreign).

Secretary

L. E. THOMAS (Country).

H. R. HOARE.

The Bank has Branches or Agents in all the principal Cities and Towns in the United Kingdom and Correspondents throughout the world and undertakes the Agency of Country and Foreign Banks, whether Joint Stock or Private, issues Circular Notes and Letters of Credit, effects purchases and sales in all British and Foreign Stocks and Shares, collects dividends on Stocks and Shares and the half-pay of Officers, Pensions, Annuities, etc., and undertakes Executorships and Trusteeships.



Established in 1836.
Sanctioned by Royal
Charter and under the
authority of Parliament.

COLONIAL BANK

LORD BEAVERBROOK
Chairman



*Special facilities to Americans in London.
∴ Every form of Banking transacted. ∴*

HEAD OFFICE: 29, GRACECHURCH STREET,
LONDON, E.C. 2.

Subscribed Capital	-	-	-	-	£2,000,000
Paid up	-	-	-	-	600,000
Reserve Fund	-	-	-	-	200,000

BRANCHES:

LIVERPOOL. MANCHESTER.

WEST INDIES—Antigua, Barbados, Demerara, Jamaica, Trinidad, &c.

WEST AFRICA—Freetown (Sierra Leone), Accra and Secondee (Gold Coast), Jos, Lagos, Kano,
and Port Harcourt (Nigeria).

NEW YORK AGENCY: 22, WILLIAM STREET.

MAITLAND, COPPELL & Co.

52, William Street, New York

ORDERS EXECUTED FOR ALL INVESTMENT SECURITIES. ACT AS
AGENTS OF CORPORATIONS AND NEGOTIATE AND ISSUE LOANS

BILLS OF EXCHANGE, TELEGRAPHIC TRANSFERS, LETTERS OF CREDIT ON

Union of London & Smiths Bank, Limited, London
Messrs. Mallet Freres & Cie., Paris
Banco Nacional de Mexico

AND ITS BRANCHES

Agents for the Bank of Australasia, etc.

TRAVELERS' LETTERS OF CREDIT

AVAILABLE THROUGHOUT THE UNITED STATES

BOISSEVAIN & CO.

24 BROAD STREET, NEW YORK

Members of the New York Stock Exchange

Investment Securities

Commercial Department

Foreign Exchange

Correspondents of

MESSRS. PIERSON & CO.

SUCCESSORS TO MESSRS. ADOLPH BOISSEVAIN & CO.

AMSTERDAM, HOLLAND

WILLIAM SCHALL

CARL MÜLLER

MÜLLER, SCHALL & CO.

45 William Street - - New York

Foreign Exchange

Commercial Credits

Members
New York Stock Exchange

BARCLAY & COMPANY

LIMITED

HEAD OFFICE : 54, LOMBARD STREET, LONDON, E.C.

Nominal Capital,	£13,500,000
Capital Subscribed,	£12,679,440
Paid up Capital,	£4,594,443
Reserve Fund,	£2,200,000

800 BRANCHES IN GREAT BRITAIN

Drawing and Deposit Accounts opened at any of the Branches, according to the usual custom of Bankers.

Payments may be made through any Branch of the Bank to the credit of Customers' Accounts at any other Branch.

Orders for the purchase or sale of Stocks, Shares, &c., executed through London Brokers.

Dividends, Pensions, and Annuities received for Customers of the Bank.

The Bank undertakes all classes of Foreign Business, including the collection of Foreign Bills, and the remittance of moneys abroad.

Circular Notes, Circular Letters of Credit and Fixed Letters of Credit issued payable in the principal Cities and Towns of the world.

The Bank undertakes the office of Executor and Trustee on terms, particulars of which may be obtained at Head Office and Branches.

FOREIGN EXCHANGE DEPARTMENT

54, Lombard Street, London, E. C.

MANAGER

W. O. Stevenson

ASSISTANT MANAGERS

W. L. Maclaren

C. B. Meyrick

PETROLEUM BANKING AND TRUST COMPANY, S. A.

APARTADO (P. O. BOX) 468

TAMPICO, MEXICO

Capital Authorized - - \$1,000,000.00

Capital Paid-up - - - \$100,000.00

OFFICERS

R. THOMAS - - - - - President
 THOMAS W. STREETER - - - - - Vice-President
 GEO. L. CHRISTIE - - - - - Vice-President
 GEO. L. RIHL - - - - - Manager
 W. F. BUCKLEY - - - - - Secretary & Treas.

DIRECTORS

R. THOMAS
 THOS. W. STREETER
 GEO. L. CHRISTIE
 W. F. BUCKLEY
 HENRY HOUZE
 H. P. GREENWOOD
 F. J. ALTAMIRA
 GEO. L. RIHL

MEMBERS AMERICAN BANKERS ASSOCIATION

Payments and Collections made on all parts of Mexico, in both Mexican Gold and New York Exchange.

SUTRO BROS. & CO.

BANKERS

120 BROADWAY, NEW YORK

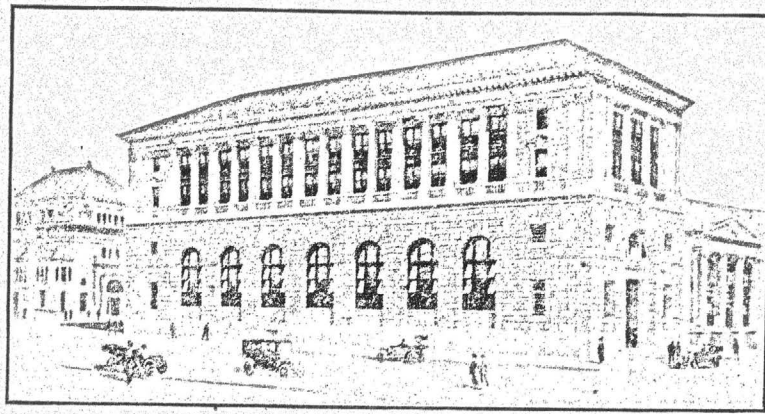
DOMESTIC AND FOREIGN SECURITIES

LONDON AGENTS:

PARR'S BANK, LTD.
 UNION OF LONDON & SMITH'S BANK, LTD.
 UNION BANK OF SCOTLAND, LTD.

SPECIAL CORRESPONDENTS IN

MONTREAL
 SAN FRANCISCO



New Main Office Building

Brooklyn Trust Company

Chartered April 14, 1866.

Member of the New York Clearing House Association

177 Montague Street, Brooklyn

Bedford Branch
Fulton Street and Bedford Avenue

Manhattan Office
Wall Street and Broadway

TRUSTEES

FRANK L. BABBOTT
WALTER ST. J. BENEDICT
GEORGE M. BOARDMAN
SAMUEL W. BOOCCOCK
EDGAR M. CULLEN
WILLIAM N. DYKMAN
JOHN H. EMANUEL, JR.
WILLIAM HESTER

FRANCIS L. HINE
DAVID H. LANMAN
DAVID G. LEGGET
FRANK LYMAN
HOWARD W. MAXWELL
EDWIN P. MAYNARD
FRANK C. MUNSON
HENRY F. NOYES

WILLIS L. OGDEN
JOSEPH E. OWENS
ROBERT L. PIERREPONT
HAROLD I. PRATT
CLINTON L. ROSSITER
J. H. WALBRIDGE
ALEXANDER M. WHITE
WILLIS D. WOOD

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DAVID H. LANMAN, Vice-President
FRANK J. W. DILLER, Vice-President
WILLIS McDONALD, Jr., Vice-President
FREDERICK T. ALDRIDGE, Vice-President
WILLARD P. SCIENCK, Secretary

HORACE W. FARRELL, Asst. Secretary
HERBERT U. SILLECK, Asst. Secretary
AUSTIN W. PENCHOEN, Asst. Secretary
GILBERT H. THIRKIELD, Asst. Secretary
FREDERICK B. LINDSAY, Asst. Secretary
FREDERIC R. CORTIS, Auditor

ADVISORY COMMITTEE—BEDFORD BRANCH

EUGENE F. BARNES
EDWARD LYONS

WILLIAM McCARROLL

EDWARD THOMPSON
H. A. MOODY

EDMUND N. SCHMIDT, Branch Manager



COURT and JORALEMON STS.

ORGANIZED 1859

The Nassau National Bank of Brooklyn
CAPITAL, \$1,000,000.00 SURPLUS (earned) \$1,000,000.00

OFFICERS

T. SCHENCK REMSEN
Vice-President

G. FOSTER SMITH, President

H. P. SCHOENBERNER
Cashier

ANDREW J. RYDER
Asst. Cashier

DIRECTORS

EDGAR McDONALD,
Chairman.
FRANK BAILEY,
Vice-President, Title Guarantee &
Trust Co.

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Retired

GEORGE M. BOARDMAN
Paterson, Boardman & Knapp

CROWELL HADDEN,
President, Brooklyn Savings Bank
FRANK LYMAN,
Trustee, United States Trust Co.

EDWIN P. MAYNARD,
President Brooklyn Trust Co.

G. FOSTER SMITH
President

GEORGE S. INGRAHAM,
Lawyer.

DARWIN R. JAMES, Jr.,
President American Chiclé Co.

ADRIAN VAN SINDEREN
W. A. & A. M. White

A. AUGUSTUS HEALY,
A. Healy & Sons.

FRANK C. B. PAGE
Vice-President E. W. Bliss Co.

HERBERT O. HYATT
President Brass Goods Mfg. Co.

Member of the New York Clearing House and the Federal Reserve Bank

Cablegramas: "Turnure"

Nueva York,
Calle de Wall Nos. 64—66

Lawrence Turnure & Co.

Depósitos y Cuentas Corrientes. Depósitos de Valores haciéndonos cargo del Cobro y Remisión de Dividendos é Intereses. Compra y venta de Valores Públicos é Industriales. Compra y Venta de Letras de Cambio. Cobro de Letras, Cupones, etc., por cuenta agena. Giros, Pagos por Cable y Cartas de Crédito, sobre la Habana y otras ciudades de Cuba, también sobre Inglaterra, Francia, España, México, Puerto Rico, Santo Domingo, Centro y Sud America.

Corresponsales:

Habana: N. Gelats y Ca. Londres: The London Joint Stock Bank, Ld.
Puerto Rico: Banco Comercial de Puerto Rico
Paris: Banque Francaise pour le Commerce et l'Industrie y Heine y Ca.

Goldman, Sachs & Co.

60 Wall Street New York

Commercial Paper

Foreign Exchange

Letters of Credit

Investment Securities

137 So. La Salle St.

Chicago

60 Congress St.

Boston

Cities Service Company

As Fiscal Agents of Cities Service Company and Operating Managers of its ninety odd gas, electric light and power, heating, water and oil producing, transporting and refining subsidiaries, we shall be glad to furnish first-hand information regarding the properties or their securities.

Henry L. Doherty & Company

60 Wall Street, New York

Bond Department

INCORPORATED 1869

THE NEW ENGLAND TRUST COMPANY

135 Devonshire Street, Boston, Mass.

THE OLDEST TRUST COMPANY IN BOSTON

Capital, \$1,000,000

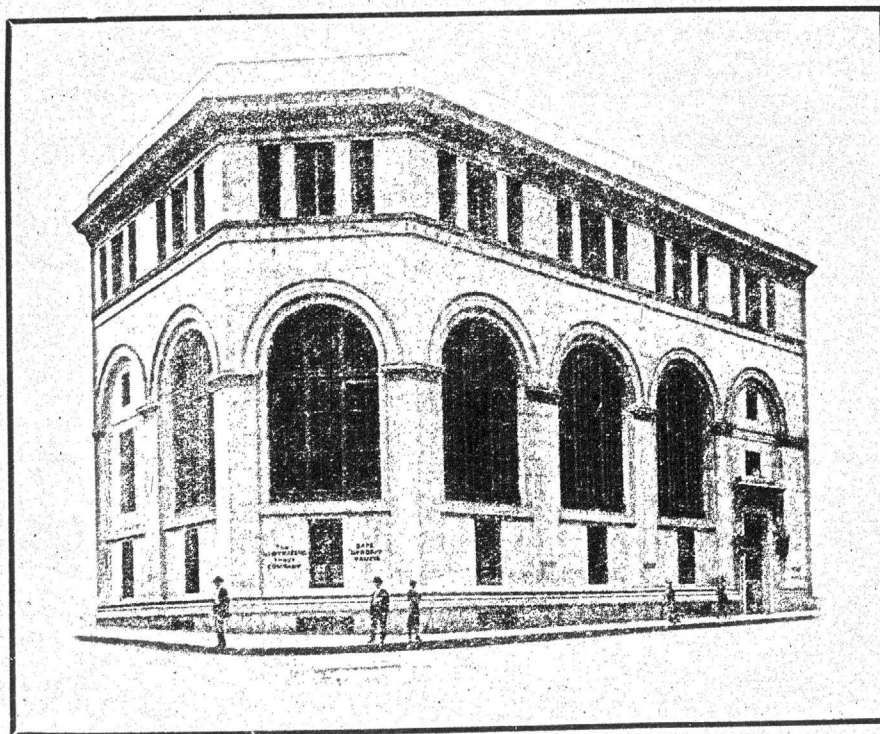
Surplus and Profits Over \$3,000,000

Acts as Executor, Administrator, Trustee, Guardian, Attorney
or Agent

BANKING DEPARTMENT
SAFE DEPOSIT VAULTS

TRANSFER DEPARTMENT
LETTERS OF CREDIT

TRAVELERS' CHEQUES



OFFICERS

JAMES R. HOOPER, President

ARTHUR ADAMS, Vice-President

ALEXANDER COCHRANE, Vice-President

FREDERICK W. ALLEN, Treasurer

EDWARD B. LADD, Asst. Treasurer

RAYMOND MERRILL, Asst. Treasurer

CHARLES E. NOTT, Asst. Secretary

FREDERICK P. FISH, Vice-President

HENRY N. MARR, Secretary

ORRIN C. HART, Trust Officer

ARTHUR F. THOMAS, Asst. Trust Officer

ROBERT B. GAGE, Manager Safe Deposit Vaults

BOARD OF DIRECTORS

GEORGE WIGGLESWORTH, Chairman

Arthur Adams
Alfred Bowditch
J. D. Cameron Bradley
S. Parker Bremer
Alexander Cochrane
George H. Davenport

Francis W. Fabyan
Frederick P. Fish
Frank H. Gage
Morris Gray
Sidney Harwood

Franklin W. Hobbs
James R. Hooper
David P. Kimball
Robert A. Leeson
Ernest Lovering

Walworth Pierce
Henry H. Proctor
Edwin M. Richards
Herbert M. Sears
Arthur R. Sharp
Henry I. Shattuck

BLAIR & Co.,

**24 BROAD STREET
NEW YORK**

INVESTMENT SECURITIES

**TRAVELERS' LETTERS
OF CREDIT**

BANKERS' CONVENTION SECTION

OF THE COMMERCIAL & FINANCIAL CHRONICLE.

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Vol. 105.

NEW YORK, OCTOBER 13, 1917

No. 2729

THE CHRONICLE.

THE COMMERCIAL AND FINANCIAL CHRONICLE is a weekly newspaper of 96 to 128 pages, published in time for the earliest mail every Saturday morning, with the latest news by telegraph and cable from its own correspondents relating to the various matters within its scope.

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

THE RAILWAY AND INDUSTRIAL SECTION, issued three times a year, is furnished *without extra charge* to every annual subscriber of the CHRONICLE.

THE RAILWAY EARNINGS SECTION, issued monthly, containing the sworn returns of earnings and expenses, filed each month with the Inter-State Commerce Commission, is also furnished *without extra charge* to every annual subscriber.

THE ELECTRIC RAILWAY SECTION, issued three times a year, is also furnished *without extra charge* to every annual subscriber of the COMMERCIAL AND FINANCIAL CHRONICLE.

THE STATE AND CITY SECTION, issued semi-annually, is also furnished *without extra charge* to every subscriber of the CHRONICLE.

THE BANK AND QUOTATION SECTION, issued monthly, is likewise furnished *without extra charge* to every subscriber of the CHRONICLE.

Besides these Supplements, others are published from time to time, like the present BANKERS' CONVENTION SECTION.

Terms for the CHRONICLE, including *all* the Supplements, are Ten Dollars within the United States, Thirteen Dollars (which includes postage) in Europe, and Eleven and a Half Dollars in Canada.

WILLIAM B. DANA COMPANY, Publishers
Front, Pine and Depeyster Streets, New York

INDEX TO ADVERTISEMENTS

A complete index to the advertisements appearing in the present issue of the Bankers' Convention Section will be found on pages 92 and 93.

AMERICAN BANKERS AND WAR FINANCE

Assembling as they did with our country's relations to the European conflict what they are today, it was inevitable that the Bankers' Convention at Atlantic City should have found the paramount topic of discussion to be the financial and economic effects of our own participation in the war, and the new considerations which that participation raises in American finance. It was a curious and in a way melancholy coincidence that the Convention of a year ago assembled when the seemingly urgent question was that of possible early peace and its probable economic effects. It was, in fact, not very many weeks after the Kansas City Convention that the German Chancellor actually did make his formal proposal for a peace conference.

The German overtures failed as all previous over-

tures from the same source had failed. The Government at Berlin refused, as it has refused up to the present time, to name any definite terms which it would accept. Our own Government's request of last December for the German Government to state its war aims, and the Vatican's similar suggestion of last August, equally came to nothing. Even the sincerity of the German Chancellor's own proposals of negotiation ten months ago has been subjected to the gravest doubt since the same statesman, in his announcement of January 31 that unrestricted submarine warfare would be resumed, declared that in the previous summer, when he made his stipulation to observe the rules of international law regarding sea warfare, "the time was not yet ripe" for an unrestricted campaign. Since then we all know how much water has flowed under the mill, so far as regards our own relations to the European war.

In view of what has occurred during the interval, in regard to American Government's borrowings, the national taxes, the Federal control of industry and prices, and the general condition of the markets, war finance was necessarily the text of the speeches and debates at Atlantic City. The President of the Association struck the keynote on the first day of the Convention, in his statement that "war today is the nation's principal business, and must become the business of all;" in his appeal that we even "think of nothing but the war needs," and in his summons to the banking community to "do our duty, and not make it possible for any one to say of American banks that they profited by the war."

The appeal for economy and savings, large and small, was repeatedly and properly a theme of discussion. Mr. Blackett of the British Treasury pointed out to the Convention that "the war must be paid for out of new savings," and this was reinforced by equally positive assertion in other speeches. Mr. Blackett, however, cordially testified that the United States had in eighteen weeks reached a point in war savings which England had attained only after eighteen months.

Mr. Harding of the Federal Reserve Board, premising by the statement that our actual war expenditure since April (including the advances to our Allies) had exceeded the total expenditure of the Civil War, called attention to the service done by

our new banking system. In particular, it had prevented any financial stringency during the subscriptions to the recent \$2,000,000,000 war loan by four million separate subscribers. Mr. Brand of the English Munitions Ministry assured the bankers that there was "no question of the integrity of the external debts of all the Allied nations" whose two-thousand-million or more of obligations our Government now holds. But he added that the burden of financing these Allies, which England had thus far borne, must now fall primarily on the shoulders of the United States.

Yet even to this there was another side. England would give much larger credits, this English speaker declared, if it could make the goods in which the credits were extended; but it was now only the United States which could fully perform that task. Lord Northcliffe pointed out that the American loans to England do not cross the Atlantic, but "go to swell wages in Bridgeport, Bethlehem, and a hundred other centers." Mr. Strong of the New York Federal Reserve Bank supplemented all this by his positive statement of belief that, while the Government should be careful not to destroy industrial efficiency by ill-applied taxation, the country "will be able to pay all the taxes required to maintain its credit, and support all the borrowings needed for the period of the war, without crippling its vital industries."

The conclusion of any one who reads or who listened to the proceedings of the Atlantic City Convention would unquestionably be, that the American bankers, while recognizing the enormous financial burden placed on the nation's shoulders by this war, were prepared to see it through. The sacrifices which must be borne by rich and poor would be cheerfully sustained. The resources, joint and individual, of the banking community, were at the service of the Government.

These facts are worthy of some emphasis, not because patriotism and self-sacrifice in war-time by American bankers is unusual, but because of the attempts which have been made, in more than one quarter, to picture the bankers and capitalists of the country as people who first deliberately plunged the country into war for their own selfish profit, and then resisted every policy which would make them share in the expense of it. This was expressed in the circulars sent out when the war financing first came up in Congress—proposing that the Government confiscate outright all incomes above a certain sum, and adding, not perhaps in the vein of the highest patriotism, that the advantage of such a plan is that it "will cost most of those who are backing the war today a pretty big sum of money." The same conception has reappeared in the speeches of Senator La Follette and other Congressional advocates of confiscatory taxes on the rich.

The course of tax legislation, and the acceptance by the banking community of income supertaxes running up to 63 per cent. and war profits taxes running up to 60 per cent., has given fairly suf-

ficient evidence of the attitude of this part of the American people. There is not much doubt left as to who is bearing the financial burden, when \$1,110,000,000 of the estimated \$2,610,000,000 war-tax revenue is to be derived from excess profits and \$600,000,000 more from the income tax. The Bankers' Convention proceedings showed in what kind of spirit this heavy burden is being shouldered. It is the spirit of determination to see the conflict through, of willingness to bear the burden, and of readiness to give personal as well as financial help to the government—as the financial community is already doing in the personnel of the Red Cross, of the special administrative war boards, and of the war loan propaganda.

THE SPIRIT OF THE CONVENTION

Secretary Frederick E. Farnsworth, of the American Bankers' Association, pronounced this year's Convention at Atlantic City the best ever held by the Association. It was not the largest convention of the kind held in the past forty-two years owing to the fact that the convention city was not central, but it was by far the most enthusiastic gathering, the topics under consideration were of vital interest and a number of the speakers were of international fame. From beginning to end it was a war Convention and the influence of the great struggle grew from day to day, until at the final session the climax was reached when Dr. Butler, of Columbia University, aroused an intense patriotic spirit by his denunciation of sedition in the Senate of the United States.

That unusual interest was attached to the proceedings was due, of course, to the important part that the bankers are called upon to play in the world tragedy not only as financiers, but as missionaries who come in close contact with all kinds of people. Prominent speakers impressed upon the bankers that they are called upon to help the Government not merely by buying Liberty Bonds or inducing their customers so to invest, but by carrying to the farmers the need of greater crops and to all the people the necessity of conservation of the crops, of self-denial, of foregoing pleasures and of an abandonment of extravagance, so that there may be an abundance of food, clothing, guns and munitions for the men whom the Government has called to fight its battles. The spirit in which all of this advice was received indicated that the seed sown had fallen upon fertile ground and that the bankers of the United States will maintain their reputation for upholding the Government whenever it is assailed by treason within or by foe without.

Trade is as jealous as a suspicious woman. Representatives of Great Britain told how in England they had used posters to induce citizens to abandon the use of automobiles for pleasure and how one result of the campaign had been to limit supplies of gasoline to ten gallons per month to a single owner of an automobile. These and simi-

lar posters, because they had aroused animosity among tradesmen and manufacturers, were called "crime posters." But it was stated that there are in the United States 4,000,000 automobiles as against about 800,000 in all the rest of the world. Surely there is opportunity here for self-denial if to urge it be not a "crime."

The bankers assembled at Atlantic City from all parts of the country, the South being particularly well represented and the Southern bankers being conspicuous for their activity in the proceedings. At no time, either in the meetings of the numerous sections, or in the general Convention was there one discordant note whenever the subject of aiding the Government in every way possible was under discussion. It may well be doubted that there could be assembled in the United States a more ardently patriotic body of men than the bankers who gathered in annual convention the present year.

Discussions relative to sales of Government bonds revealed a predominating sentiment that the money required to wage the war should come from new savings rather than from past savings. Past savings are already invested in securities and other property, and to part with such investments in order to raise funds for reinvestment in Liberty Bonds would tend to unsettle market values and cause financial disturbances. But new savings, acquired out of current income, wages and salaries and increased by the exercise of economy and self-denial, coupled with taxation, may be able to meet the Federal requirements.

In England it became necessary to utilize past savings and securities were gathered by the Government by force and marketed here. But now that the United States has entered the war there is no longer a rich neutral country capable of ab-

sorbing securities in which past savings are invested. For the good of all, therefore, it was urged that the owners of well-seasoned investments retain such securities, but at the same time exert themselves to put every dollar of income at the disposal of the Government which can be spared.

Unquestionably the forty-third annual Convention of the American Bankers' Association will be productive of much good. The bankers of the whole country have been drawn closer together than ever before, and they feel the unifying influence of a common interest in the welfare of the nation in what is likely to prove the greatest trial since its organization.

No hope was held out that the conflict might soon come to an end. Lord Northcliffe pronounced the struggle a series of wars, founded upon different motives and animosities of long standing, and he stated that a settlement of one of the numerous wars would not terminate the others.

One very interesting development which received little attention in the great crush of more important matters was a discussion concerning a uniformity of State banking laws. It was urged that it was inconsistent that a rate of interest above 6 per cent. in some States should be usurious, while in others there might be no limit to the legal rate. The liability of stockholders in banks differs in the several States. Laws prescribing reserves vary, and when it comes to the collection of a debt a banker in one section of the country who has loaned money in some other section may find it most difficult to recover on account of exemption laws which defeat his claims. The argument touched the tender spot of State rights, and bankers from a number of States in the South were quick to defend the old doctrine and to insist that the points referred to should be subject to local regulation.

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BANKING SECTION

AMERICAN BANKERS' ASSOCIATION

43d Annual Convention, Held at Atlantic City, N. J., September 27 and 28, 1917

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The Second Liberty Loan

By WILLIAM G. McADOO, Secretary of the U. S. Treasury

Gentlemen of the American Bankers' Association, it gives me great pleasure to meet the members of this association and to express to you in person my deep appreciation of the patriotic and cordial support the bankers of the United States have given to the Government in the important financial operations in which the Treasury has been engaged since the outbreak of the European war. They deserve high commendation also for the notable services they rendered and for the contributions they made to the Red Cross war fund. Nothing could be more creditable to the American people than their extraordinary generosity in providing this monumental fund for mercy.

The credit of the Federal Government throughout its history has been maintained inviolate; its obligations have always been scrupulously observed; its engagements have always been honorably fulfilled. The national credit is the first bulwark of defense of the Nation's rights. If that credit be impaired, the whole economic and financial structure of the country is imperiled. Finance is so fundamental to war that the first duty of every nation upon the outbreak of hostilities is to conserve its financial resources and to make the national credit impregnable and sufficient for all the purposes of the war.

In all of the great financial operations in which the Government has been engaged in the past, and in all of those in which it must engage in the future, the American banker must, because of his knowledge, experience, ability, and influence, become the first line of defense and offense. His thorough cooperation with the Government relieves the task, however stupendous, of any doubt. To you, the patriotic bankers of America, has come a great responsibility and a great opportunity—the responsibility of helping the Government solve its huge financial problems successfully, and the opportunity to serve your country in ways peculiarly useful and effective at this time.

It is perhaps important that the reasons why we are at war with Germany should be restated as often as

possible. There are some noisy agitators and disloyal writers in this country who have persistently endeavored to confuse the issue and to carry on a seditious and subtle propaganda for the purpose of producing discontent among the people and of giving aid and encouragement to the enemies of the United States. A large part of this propaganda was undoubtedly financed by the German Government directly, from the outbreak of the European war, August, 1914, until America entered the war, April 6, 1917. Much of this same propaganda has probably been carried forward since America entered the war by German money left in the United States for that purpose by Von Bernstorff, the adroit and malevolent German ambassador, before he was dismissed. With that money and with money provided by German sympathizers and certain disloyal elements in the United States the propaganda has continued, but in a modified form. It would be difficult to ascertain exactly how much money has been expended for this purpose, but some of the recent disclosures by the State Department indicate how active were Germany's own representatives while in this country. It is well for the American people to realize the hypocrisy and disloyalty of all these efforts, and to determine to stamp them out relentlessly and remorselessly, because the interests of the Nation must at no time be imperiled more by the traitors within our walls than by the enemies without.

It has been repeatedly stated that America entered this war to make liberty and democracy secure throughout the world. While that is true, it must always be remembered that America entered the war for a more immediate reason. Noble and idealistic as is her championship of universal democracy, she entered the war primarily because of the persistent insults and aggressions of Germany, the wanton disregard of American rights within our own borders as well as upon the high seas, the contemptuous violation of international law and the ruthless destruction of American life and property.

Before this war broke out, every civilized nation ac-

cepted and honored the rule that in time of war a merchant vessel, neutral or belligerent, should not be sunk by an enemy war vessel unless the lives of the passengers and crew were first made safe. Under this long-observed law an American citizen had the right to travel upon a British or French merchant ship with the full knowledge that that ship would not be sunk by a German war vessel until the passengers and crew were taken from the ship and their safety secured. Civilized warfare has always respected the lives of noncombatants.

If a German regiment should capture a French town or city, and, while marching through the streets, should fire upon a crowd of unarmed and helpless men, women, and children, killing a great number of them, crippling and wounding others, the whole world would gasp with horror; and yet this would be far less inhuman than to sink a ship at sea containing noncombatant men, women, and children, because on land those who are wounded may be rescued, taken to the hospitals and saved, while many who are not hit by bullets may actually escape. The reason the rule of the sea has always been rigidly enforced by every civilized nation is that if you sink an unarmed ship without giving the noncombatants a chance to escape, they are thrown into the water and all must perish. There is no chance for the wounded or the uninjured to escape. The remorseless sea engulfs them all and obliterates life "without a trace." What, therefore, would be a crime of the first order in the killing of noncombatants on land is a crime of colossal and inexcusable proportions when it is committed upon the high seas.

Yet this is exactly what Germany has done consistently since the outbreak of the war. She has destroyed merchant vessels on the high seas without warning, killing noncombatant men, women, and children without mercy and in the most brutal and ruthless fashion, in defiance of all international law and every accepted rule of humanity and civilization.

The rights of Americans upon the high seas have been wantonly disregarded. It is not an answer to say that Americans should not have sailed on merchant ships bearing the British or the French flag. They had a right to sail on those vessels, and were compelled to sail on them because there were not enough merchant ships under the American flag to furnish transportation for American business men, American consular and diplomatic officers, and others engaged in peaceful and rightful pursuits to go upon their legitimate errands. They were forced to sail under foreign flags and were entitled to the protection accorded by universally accepted international law and the mandates of civilization and humanity, viz., that the ships would not be sunk by an enemy vessel until the safety of passengers and crew were first assured.

On September 1, 1915, the German Government gave the following assurance to the United States:

Liners will not be sunk by submarines without warning and without safety of the lives of noncombatants, provided that the liners do not try to escape or offer resistance.

This promise was promptly violated. On October 15, six weeks thereafter, the steamship *Arabic* was sunk and three American lives were lost. The German Government said to the United States:

The Imperial German Government regrets and disavows the act and has notified Commander Schneider accordingly.

Scarcely had this assurance been received before the Italian steamer *Ancona* was torpedoed without warning, and seven American lives were destroyed. On the 29th of November, 1915, the American vessel *William P. Frye* was sunk in violation of international law. Following that, attacks were made upon several American vessels in gross violation of these promises, and on December 30 the British liner *Persia* was sunk in the Mediter-

anean without warning and more than 300 passengers and members of the crew were lost, among them being an American consul traveling to his post. This American consul was obliged to sail on the British vessel because there was no American vessel upon which he could travel. He was entitled to protection under international law, as well as under the repeated assurances of the German Government.

On January 7, 1916, the German Government again assured the United States that German submarines in the Mediterranean would not sink enemy merchant vessels, except in accordance with the general principles of international law, and "only after passengers and crews had been accorded safety." On February 16, 1916, the German Government said to the United States—

Germany has limited her submarine warfare because of her long-standing friendship with the United States, and because by the sinking of the *Lusitania*, which caused the death of citizens of the United States, the German retaliation affected neutrals, which was not the intention, as retaliation should be confined to enemy subjects.

The German Government promptly proceeded to disregard these assurances, sinking numerous ships without warning, injuring a number of American citizens, and imperiling the lives of many more. Whereupon the American Government notified the German Government on the 18th of April, 1916, two months thereafter, that—

If it is still the purpose of the Imperial German Government to prosecute relentless and indiscriminate warfare against vessels of commerce by the use of submarines, without regard to what the Government of the United States must consider the sacred and indisputable rules of international law and the universally recognized dictates of humanity, the Government of the United States is at last forced to the conclusion that there is but one course it can pursue. Unless the Imperial Government should now immediately declare and effect an abandonment of its present methods of submarine warfare against passenger and freight carrying vessels, the Government of the United States can have no choice but to sever diplomatic relations with the German Empire altogether.

Whereupon the German Government, on the 4th of May, 1916, about two weeks thereafter, gave definite assurance to this Government that new orders had been issued to German naval officers "in accordance with the general principles of visit and search in the destruction of merchant vessels recognized by international law."

Again, and in spite of these repeated assurances, the German Government proceeded to sink merchant vessels without warning and without securing the safety of the lives of passengers and crew. One American was killed on the British steamer *Cabosha* on October 20, 1916, 8 Americans were killed on the British steamer *Marina*, October 28, 1916, 17 Americans were killed on the British steamship *Russia*, December 14, 1916.

On January 31, 1917, the German Government gave this notice, to take effect the following day:

Germany will meet the illegal measures of her enemies by forcibly preventing in a zone around Great Britain, France, Italy, and in the eastern Mediterranean, all navigation, that of neutrals included, from and to England, from and to France, etc. All ships met within that zone will be sunk.

Whereupon the United States on February 3, three days afterwards, severed diplomatic relations with the German Government in the following statement:

In view of this declaration which withdraws suddenly and without prior intimation the solemn assurance given in the Imperial Government's note of May 4, 1916, this Government has no alternative consistent with the dignity and honor of the United States but to take the course which it explicitly announced in its note of April 18, 1916, that it would take in the event that the Imperial Government did not declare and effect an abandonment of the methods of submarine warfare then employed and to which the Imperial Government now proposes again to resort.

All diplomatic relations between the United States and the German Empire were thereupon severed, the American ambassador at Berlin was immediately withdrawn, and the German ambassador, Von Bernstorff, was given his passports.

Between February 3 and April 1, 1917, almost two months, 1 American was killed on the British steamship *Eavston*, 10 Americans were killed on the British

steamer *Vedamore*, 1 American was killed on the British steamship *Torino*, 1 American was killed on the French steamer *Athas*, 8 Americans were killed on the British steamship *Laconia*, 1 American was killed on the Norwegian steamship *Sjostad*, 5 Americans were killed on the American steamship *Vigilancia*, 7 Americans were killed on the American steamship *Healdton*, and 19 Americans were killed or missing from the British steamship *Crispin*. Besides this, seven American steamships were sunk by German submarines in these two months, but no Americans, except five on the *Vigilancia*, were killed.

Moreover, the British steamer *Yarrowdale* was captured by a German auxiliary cruiser prior to our entry into the war, and 72 American citizens were taken as prisoners of war by Germany, which was a clear violation of American rights. They were maltreated and abused and subsequently released.

The crowning act of infamy in Germany's ruthless policy, however—and I mention it last, although it was the first in occurrence—was the sinking on May 7, 1915, of the British steamship *Lusitania*, an unarmed passenger vessel, and the killing of 114 American citizens—men, women, and children.

Each and every American life and each and every American vessel destroyed by Germany during these two years was an act of war upon the American people, the consequences of which were avoided from time to time by the plausible assurances and excuses of the German Government, each and every one of which was perfidiously and insincerely made, and each and every one of which was deliberately disregarded.

But this is not all. Germany, while professing friendship for America, and while her ambassador, her representatives, and her citizens were enjoying our hospitality and receiving our protection, was plotting against the domestic security of the United States by blowing up munitions plants, fomenting strikes and disturbances in the labor world, disseminating false information and poisoning the minds of the American people against their own Government, plotting its downfall, and seeking to influence our Congress, as evidenced by Von Bernstorff's dispatch of January 22, 1917, to the Berlin foreign office, in which he said: "I request authority to pay up to \$50,000 in order, as on former occasions, to influence Congress through the organization you know of, which can perhaps prevent war." And while Von Bernstorff was busy upon our own shores with intrigue through his spy system and through the corrupt use of money to influence public opinion and the national policies of the American people, Zimmermann, the foreign secretary in Berlin, had sent a dispatch to Mexico urging her to make war upon the United States and begging Mexico to invite Japan to join her in this dastardly work, promising Mexico that California, Arizona, New Mexico, and Texas would be restored to Mexico in the event of success. What more perfidious conduct could have characterized the government of any nation with which we were at peace? What must be the judgment upon a government capable of such infamies? And yet there are those who undertake to defend Germany and to say that the American people did not have sufficient grounds upon which to enter this war!

The outrages committed upon American rights through the persistent destruction of American life and property during the years 1915, 1916, and 1917 were provocation enough, but when the German Government undertook by its edict of January 31, 1917, to mark off hundreds of miles of the high seas surrounding Great Britain, France, and Italy, and to declare that it would sink on sight every American vessel which entered these prohibited waters, although in pursuance of lawful commerce and of international right, and actually proceeded

to carry out the threat, there was nothing left for America to do but to fight or else submit to this tyrannical and monstrous edict of the German military despot.

We chose to fight—and why? Because, first, national honor and self-respect imperatively demanded it, and, second, because we can never concede the right of any nation, however powerful, to order American vessels and American citizens to keep off the high seas and prevent America from selling her surplus products of the farm, the factory, and the mine to other nations of the world.

If we had tamely submitted to that order, it would have brought disaster and ruin to the American people. Not only would it have been a mortal blow to their honor, self-respect, and standing as a nation, but it would have brought irreparable injury, loss, and suffering to our people. If any foreign nation in this war could with impunity order vessels of the United States to keep off any portion of the high seas, which are the common property of all the nations of the earth, and if we had submitted, we would have established a fateful precedent. In a future war some other nation might conclude that American vessels carrying American citizens and American commerce should be ordered off of some other portion of the high seas, and we would be obliged to submit or to fight under all the disadvantages of having yielded in the first instance. If we had been submissive, it would not be an illogical next step for the nation which ordered us off of 500 miles of the Atlantic Ocean to order us to keep off the entire Atlantic Ocean except that part within three miles from our own shores, over which we have acknowledged jurisdiction. We could never submit to such a destruction of our vital rights.

On the material side the disaster of submission is most striking. The Kaiser's order forbade our ships from carrying our people and our commerce to Great Britain, France, and Spain. Our prosperity and our welfare as a people are inseparably connected with our right of free and unmolested intercourse with those nations. In the fiscal year 1917 our total exports to Great Britain, France, and Italy were \$3,457,000,000, in round numbers; in 1916 they were \$2,247,000,000, in round numbers. Our exports to those countries constitute more than one-half of our export trade with the entire world. These exports represent the surplus products of our farms, of our mines, of our factories. If we are denied a market for them, these farm products would rot or go to waste upon our own soil, the production of our mines and factories would be greatly reduced, labor would be thrown out of employment, stagnation of industry would result, and suffering and want would stalk in the land. Our production always has exceeded the home demand, and if we are denied foreign markets and attempt to sell the whole of our products at home, the result would be demoralized prices, with returns far below the cost of production, and consequent injury to every man, woman, and child in America. No one more than our farmers, the grain growers and the cotton growers particularly, would be so injured by obedience to the Kaiser's order. While our export trade would be destroyed, our import trade would disappear. Certain imports are essential to our national life and existence. We must have them, and we can never submit to any tyrant who forbids us to sail the high seas in the peaceful pursuit of our legitimate interests and in the unmolested enjoyment of the rights we won by the blood and courage of our ancestors.

If we had yielded to this insolent order signed by the Kaiser in his palace in Berlin, he would have destroyed by one stroke of his pen more than \$3,400,000,000 of our commerce, and American vessels and American citizens would have been excluded from all intercourse with the great and friendly nations of Great Britain, France, and Italy. By one stroke of the Kaiser's pen he would

have accomplished more destruction on our farms, in our factories, and in our mines than he could achieve with all the armies and navies of the German Empire. It is a monstrous edict, and it would be a monstrous thing for America to submit to it.

And so we had to fight for our rights, and so it is that we engaged in a righteous war—a war which we intend to bring to a successful issue by the organized might of this Nation. We intend to match organization against organization, science against science, American skill against German skill, American valor against German valor, and I have not the shadow of a doubt that the victory will be complete, that America's honor will be vindicated, that America's vital rights will be preserved, that peace upon a stable and just basis will be reestablished, and that democratic institutions will be extended throughout the earth.

When war comes to a nation the first essential is money. We must keep our soldiers and sailors armed and equipped with the best that money can buy and American skill devise. We must constantly provide them with necessary clothing and food; we must pay their wages; we must, as a humane and just Nation, support their dependent families while they are risking and giving their very lives for us; we must supply them with a reasonable amount of life insurance. We destroy their insurability and conscript almost the whole of their earning power when we draft them and send them to the front. We can do no less than reconstitute their destroyed insurability and their diminished earning power. We must increase, strengthen, and maintain our Navy; we must provide a predominant fleet of aeroplanes and air fighters; we must build a great merchant fleet, so that our long line of communication with our gallant soldiers in France may be maintained and our commerce carried across the high seas in defiance of the German Kaiser and his submarines; we must succor our noble compatriots in arms—the British, the French, the Italians, the Belgians, and the Russians—by lending them money with which they can buy arms and food and other supplies in our markets. All these things must be done and done quickly. It is upon the Treasury of the United States that every demand in time of war focuses, because everything goes back to the gold pile. The problem of the American Treasury is the problem of the American banker and the problem of the American people; it is the problem of keeping the Treasury supplied with the means to carry forward these great objects under the direction of the Commander in Chief of the Army and Navy of the United States, your President, whose glorious stand for America's honor and for America's rights, for justice, civilization, and democracy have made him one of the greatest of the world's outstanding figures.

The problem is twofold: To supply essential credits to the allied Governments, because it is vital to the cause that their strength and credit shall be sustained; and, secondly, to meet our own requirements.

Roughly speaking, and after allowing for the amount of revenue to be raised by taxation for the fiscal year ending June 30, 1918, we shall have to raise by additional bond issues between thirteen and fourteen billions of dollars. It is estimated that \$5,000,000,000 will represent additional loans to the allied Governments, which, in turn, will give us their obligations bearing interest. This \$5,000,000,000 will not, therefore, represent expenditures; it will represent loans based upon the good faith and honor of these foreign Governments—loans which will ultimately be repaid to the American people. But as we must finance these loans, they are an integral part of our general financial operations. To raise thirteen to fourteen billions of dollars on or before the 30th of June, 1918, by the sale of bonds in recurring installments seems to some people an impossible task.

It is a stupendous undertaking, but it is not impossible for America. It is not easy, but it can be done. Our resources are adequate; our will is perfect; our spirit is indomitable! and our success is certain. We have only to pull together—bankers, lawyers, doctors, manufacturers, farmers, wage earners, laborers, men and women alike, Girl Scouts and Boy Scouts, and every other class of our people—and we can do the job. Already we have demonstrated what a united people can do when partisanship is subordinated to patriotism; when love of country becomes supreme. I look forward, therefore, with confidence to the success of the recurring campaigns we must make for the sale of liberty bonds, and I am comforted by the reflection that the Government has the solid and unswerving support of the patriotic men who compose the American Bankers' Association.

The new bonds bear 4 per cent interest and are exempt from all State, municipal, and local taxation, except estate and inheritance taxes, and all Federal taxes except superincome taxes, excess-profits taxes, and inheritance taxes. They are convertible into another issue of bonds, if authorized by Congress, bearing a higher rate of interest than 4 per cent. I shall not enter into the details, because Treasury circulars and regulations will explain them fully. I do desire, however, to advert briefly to the taxation feature of these bonds.

The first liberty bonds bore 3½ per cent interest and were exempt also from supertaxes. These bonds did not make the widest appeal. To be successful with recurring issues of liberty bonds, it is necessary that they should appeal to the masses of the people. In order to give the exemption from supertaxes on the first liberty bonds, it was necessary to make the rate of interest correspondingly low. The returns show that of the 4,000,000 subscribers to the first liberty loan 3,900,000 subscribed in amounts of \$10,000 or less. The aggregate of such subscriptions was approximately \$1,300,000,000, or 62½ per cent of the first offering. To most of these subscribers exemption from the supertaxes was of no value, or in any case of little value, whereas to the 40,000 subscribers who bought large blocks of liberty bonds the exemption from the supertaxes gave an undue advantage. In order that they might have this advantage, the small holder was obliged to receive a lower rate of interest. It was estimated that under the pending House bill the exemption from supertaxes would make a 3½ per cent liberty bond in the hands of a man with a large income equivalent to a taxable bond bearing 9.15 per cent interest per annum for that part of his income in excess of \$2,000,000. The inequality of this plan is obvious. It sets at naught the principle, now firmly grounded in our national policy, that graduated taxes shall be laid upon wealth in order that the burden of taxation may be equitably distributed and made to bear more heavily upon the rich than upon the poor. No one now challenges the correctness of this principle. It is, therefore, essential that Government bonds should be issued upon a basis which will be equally just to the poor man and the rich man, so that each may purchase these bonds upon practically the same interest basis after allowing for the different scales of taxation. The present law accomplishes that object.

It should be borne in mind, moreover, that if the Government should continue to exempt from supertaxes bonds issued during this war, the time would come when there would be created in this country a class of people of great wealth, enjoying great incomes wholly free from tax burden. A grave risk would be involved in such a policy. It would be fraught with great danger to the state and would be well calculated to produce discontent with tax burdens falling thus heavily on the many to the exclusion of the few.

For the purpose of illustration, let us suppose that

the war continues so long that \$20,000,000,000 of bonds, bearing 4 per cent interest, should be outstanding, and that they were exempt from all taxation, including super-taxation. The interest charge on these bonds would be \$800,000,000 per annum, almost as much as the entire expenses of the Government at the outbreak of this war. Let us suppose that half, or \$400,000,000, represented the exemption from supertaxes which was accorded to people of great wealth. Bear in mind that I am taking arbitrary figures merely for the purpose of illustration. This \$400,000,000 would have to be raised by taxation upon the masses of the people; in other words, they would have to be taxed directly in order that the \$400,000,000 of tax exemption could be accorded to the people of great wealth who bought the liberty bonds. This is manifestly unfair, because, although the total exemption affects more or less the price for which the bonds may be sold for the United States, yet no adequate return can be had for it. We can not sell bonds in billions on the basis of what they may be worth to the very rich. They must be offered to all the people alike at one price, and should appeal to all alike and upon equal terms. The result of selling a bond which bears a low rate of interest and carries exemption from graduated and super income taxes will be this: The poor and the people of modest means will buy them for patriotic reasons, but will be unable to hold them, because the return is too small. It will be less than they can get from banks of deposit or savings banks, and the tendency will be all the time for these bonds to be purchased from them and accumulated by the very rich without adequate consideration moving from them either to the United States or to the original subscriber. In these circumstances the value of the tax exemption depends not upon the bonds themselves, but upon a wholly extraneous fact, the extent of the wealth of the holder.

Much might be said for subjecting the bonds to normal income taxes as well as to supertaxes. Practical considerations, however, make such a discussion academic. If the bonds were not exempt from normal taxes it would probably be necessary to offer a higher rate of interest than 4 per cent. To do that would involve too sudden an adjustment in the markets for other securities to be healthy. It is important that the United States, in becoming a great borrower of money, should adjust the terms of issues in such a way as to avoid, as far as practicable, any break in the general market for securities. It is apparent that the reasons I have given, which are controlling against exemption from supertaxes, apply, if at all, only to a very limited extent to exemption from stamp taxes and normal income taxes. These taxes are levied upon all wealth at a level rate, and the exemption carries approximately equal value to every bondholder, rich and poor alike. There is a very natural feeling that the holder of a United States bond ought not to be harassed by little taxes and returns incidental to its ownership. The United States ought to be able to get full value for exemption from such normal and stamp taxes in the price and interest rate at which it will be able to sell its bonds. The bonds will, of course, continue to be exempt from all State and local taxes throughout the United States.

If a subsequent series of bonds bearing interest at a higher rate than 4 per cent per annum should be issued by the United States before the end of the war then the holders of these bonds will have the privilege, at their option, at any time within six months after such issue is made, of converting their bonds at par into bonds bearing the higher rate of interest at the price, not less than par, at which the bonds bearing interest at the higher rate shall be offered for subscription to the public. Of course bonds bearing interest at a higher rate than 4 per cent cannot be issued without further legislation by Congress, and, if such an issue should be

authorized, not only the interest rate but also the general character of the bonds will be determined by Congress or by the Secretary of the Treasury under the authority of an act of Congress; and the holders of the 4 per cent bonds will be entitled, if they wish to do so, to receive bonds of the character so determined, except that the bonds issued to them, if they exercise the privilege of conversion, will have the same date of maturity, the same interest dates, and the same date for redemption before maturity as the 4 per cent bonds now offered. If this new conversion right arises it must be exercised within the period prescribed by the Secretary of the Treasury or it will come to an end. The object of this privilege of conversion is to place the investor in 4 per cent Liberty Bonds in a position of substantial equality with the purchaser of bonds of the next issue at a higher rate, if any be made—not to give him a position of superiority from which he might pick and choose between various bargains which from time to time might be offered by the United States during the course of the war. If the new bonds into which conversion is made carry also a conversion privilege then that privilege may be exercised with respect to a subsequent issue of the holder's option.

These provisions for conversion are substantially determined by the act of Congress recently approved by the President, and under which the bonds are offered for subscription. Of course, this act of Congress does not affect in any way the rights of the holders of the 3½ per cent liberty bonds of the first issue. Their rights were fixed by the previous act, and by the terms of the bonds themselves. They may convert their bonds into new 4 per cent bonds just like those now being offered for subscription, except that the bonds issued upon such conversion will have the same maturity of principal and interest and redemption date as the old 3½ per cent bonds, or they may keep their 3½ per cent bonds if they prefer.

The old law under which the 3½ per cent liberty bonds are issued differs in one respect from the new law under which the 4 per cent bonds are issued. The holders of the 3½ per cent bonds, while they must exercise the privilege of conversion into the 4 per cent bonds within the period of six months beginning November 15, if they desire to exercise it at all, would have the right, if subsequently bonds should be issued at a still higher rate, say 4½ per cent, again for a period of six months beginning at the date of the issue of those bonds, to convert their bonds into 4½ per cent bonds, even though they had not made an intermediate conversion into the 4 per cent bonds. This arrangement, resulting from the language of the old law, seemed to Congress and to the Treasury Department to be rather more than fair to the old bondholders and to carry with it burdens of administration and difficulties in connection with the future financing of the United States which ought not to be repeated.

It has been urged upon me that many men of wealth will refuse to buy the 4 per cent bond with liability to super income taxation. I should be loath to believe this; but if it is true, the position of the Government must always be to offer a bond upon terms fair and equitable to all alike and which will make the widest possible appeal to all the people without regard to the extraneous fact that a man may be poor or rich. The Government can not finance this war by making an appeal alone to the rich, nor to the man of moderate means, nor to the poor. Its appeal must be to all the people, and all the people must respond to that appeal and by united effort sustain the Government in these great credit operations. It has been suggested to me that patriotism should play no part in the sale of Government bonds. I do not concede this, although I believe that the American people will buy these 4 per

cent Government bonds on their merits. Patriotism is, first, love of country above everything—above life itself; second, love of country combined with that vital interest in the Nation's welfare and safety which will make secure the material interests of each individual and promote his happiness and prosperity.

If this is true, the man of wealth, with patriotism or with modified patriotism or without patriotism, has a greater stake in the security of Government than any other class, because if the Government's credit is destroyed and disaster comes upon the country, as it inevitably will if the Government's credit fails, what is property worth to the rich man, what is life worth to the free man? By buying Government bonds the rich man obtains the safest investment in the world and, at the same time, by helping to sustain the national credit, promotes the national safety and makes property secure.

But upon the merits of the investment the man of wealth secures in a Government bond, subject even to the supertaxes, an investment of matchless character. His principal is safe beyond peradventure. Neither storm nor stress can shake it. Its market value is the same in every State in the Union; it is exempt from taxation in every State in the Union and not, as in the case of State, municipal, or local bonds, only in the State of issue; it pays an adequate return; it is convertible into another bond bearing a higher rate of interest during the war with Germany. What could be more liberal to the investor? I know of no instance where a bond has been issued by a State, or any political subdivision thereof in the United States, or by any private corporation, which gave to the investor the opportunity of converting that bond into a subsequent issue of bonds at a higher rate of interest. There may be, but I am not aware of it.

The question naturally presents itself as to how these great operations of the Government are to be financed. They can be financed only through the united support of all the people of the United States. The kind of support I mean is that every individual, every partnership, every corporation, shall invest not only their available means from time to time in Government bonds, but that they shall make sacrifices of comfort and convenience; that they shall economize; that they shall avoid waste; that they shall save in every possible direction in order that they may increase their available resources for the purpose of assisting the Government in these prodigious operations upon which the national security absolutely depends. We must encourage thrift and industry throughout the land, and we must make everybody understand that the first duty of the hour in this critical time is to place their entire resources at the disposal of the Government.

Fortunately the resources of America were never so ample for ourselves and so formidable for our enemies as now. The combined resources of the National and State Banks (including trust companies) of the United States are now \$37,000,000,000. At the outbreak of the Civil War the combined resources of the banks were estimated to be \$1,500,000,000, and yet with these limited banking resources the Union Government raised \$3,000,000,000 by bond sales or twice the amount of the banking resources of the country. Upon the same basis we should now be able to raise \$74,000,000,000 through Government loans. I am not suggesting that this may be done; I am only drawing a comparison.

There has been much speculation as to what are the annual savings in the United States, as to whether or not they are large enough to meet the demands of the Government in this war, and as to how much will be left after the needs of the Government are satisfied. I have myself been greatly confused by the many conflicting estimates and theoretical observations with which I have been favored. Recently there was placed in my

hands a most interesting and illuminating paper on this subject by Col. M. W. Thompson, now in charge of the Finance Division of the Signal Corps of the United States Army, and a member of the firm of Thompson & Black, financial accountants, of New York. The argument and the figures arrayed in this statement are most impressive. I quote two paragraphs from this statement:

"Careful investigation of the present available supply of capital suggests the conclusion that the present needs of the Government may be adequately met, and that the entrance of the Government into the market as a departure for capital need not prevent necessary expansion. The needs of the country must be and will be first served, but there will be sufficient capital left for industrial purposes. Patriotic response to the needs of the country need not force bankers into a policy of retrenchment. These conclusions are striking. Indeed, they are at variance with the general attitude of financiers, but they are soundly based upon accurate statistical information.

"In a normal year, savings from all sources in the United States, from corporations, business men, farmers, and investors generally, amount to from \$5,000,000,000 to \$6,000,000,000. In 1916 the supply of capital in the United States was about two and a half times the normal amount. In that year savings in this country, including those reinvested by corporations in their own enterprises, amounted to \$15,000,000,000. Conservative estimates for the current year indicate that the aggregate for 1917 available for the use of the Government in prosecuting the war and for the general purposes of financing industry may reach \$18,000,000,000."

I have not had opportunity yet to study the elaborate tables and the argument which have been submitted to me in support of these conclusions, but I have examined them sufficiently to convince me that they are worthy of deep study. I am greatly indebted to Col. Thompson and to his firm, Messrs. Thompson & Black, for the service they have rendered in making such a careful analysis, and for the privilege they have given me of making use of it. I hope to be able to publish Col. Thompson's statement in the near future.

Whatever differences of view there may be about the annual savings of the American people, it is undoubtedly true that they are so large that with the other resources of the country upon which we may draw, there can be no doubt whatever of the ability of the people of the United States to finance every demand which the Government may make upon them for the purposes of this war. If the ordinary savings which have been made heretofore voluntarily are now augmented by the savings which can be effected under the pressure of patriotism and necessity, by prevention of waste, the practice of genuine economy, the cutting off of luxuries during the period of this war, what may not the American people be able to do? Already the country is aroused to the importance of the situation, and there is a spirit of determination and cooperation throughout the land which augurs well for the success of every financial undertaking of the Government, and for the continued maintenance of our industrial and commercial situation unharmed and unimpeded by the essential financial operations of the Government. This sounds at variance with what I am going to say subsequently about the necessity of cutting off of unnecessary capital expenditures during the war, but it is not. The desirability for that action is none the less necessary, because, as a matter of prudence and of wisdom, we should conserve the resources of the Nation in every possible direction.

In the matter of savings, which are of such prime importance, the Treasury purposes to issue in the near future and to sell to the people war savings certificates in as small denominations as \$5, maturing in five years, and upon such a reasonable plan that the humblest person in the land may be encouraged to save all that he can and to invest in an absolutely safe security bearing interest, while at the same time doing his part to sustain the Government and help win the war. I have appointed a War Savings Committee to take charge, under the direction of the Secretary of the Treasury, of this important branch of the work. This Committee consists of Messrs. Frank A. Vanderlip, Chairman; Frederick A. Delano, of the Federal Reserve Board; Henry Ford, of

Detroit; Charles L. Baine, of Boston; Mrs. Elizabeth Bass, of Chicago; Eugene Meyer, of New York. It will not be possible to offer the war savings certificates during the forthcoming liberty loan campaign, but as quickly as possible these certificates will be made available for the people of the country through the post-offices, internal-revenue offices, customs offices, the banks and other agencies that may be designated by the Government.

The value of this campaign for war savings certificates is not alone in the amount of money that may be saved, but in teaching the people of the United States on a nation-wide scale and through an intelligent presentation of the facts, the value of thrift and saving. Its beneficial effects ought to survive the war and have a permanent effect upon the future economy of the country.

Upon the bankers rest a peculiar duty and responsibility at this time. They can render inestimable service, not alone in promoting savings, but also in exercising a wise discrimination as to loans involving new capital expenditures and in discouraging every unnecessary undertaking involving fixed investments until after the close of this war. We must realize, my fellow countrymen, that the gravity of the situation for the Nation and for the entire world is so impressive that the Government must preempt and occupy exclusively, if necessary, until this war is over the entire investment field in the United States.

It should be the first duty of every citizen to invest gladly his available means in Government bonds, and it should be the duty of the patriotic governors of our States, the mayors of our cities, and the controlling authorities in every political subdivision of the country to discontinue unnecessary public works, and improvements until this war is over. Private enterprise should be governed by the same principle. I do not mean to have you infer that this is a definite suggestion that an immediate attempt be made upon any organized scale to discourage unnecessary capital expenditures; but I do wish to urge that you, the bankers of America, make a deep study of this question so that if the time comes when it is desirable to take action, you will be prepared to cooperate quickly with the Government.

It should be remembered that the National Government has no power, through legislation, to regulate or control capital expenditures of States, municipalities or political subdivisions of States, nor has it the power to legislate with regard to such investments by private corporations, except those engaged in interstate commerce. Through the cooperation of the States, effective measures could in time be concerted, no doubt, to meet this question if the necessity arises. But that would take time. In the absence of State action it is possible, however, for the bankers of the country to discourage, to a very great extent, unnecessary or unwise investment of capital in private and public enterprises during the period of this war. I hope that this association will appoint a committee to study this problem and to be prepared to act as the public interest may require.

It is also a matter of great importance that the bankers of America shall conserve their own resources, having always in mind the supreme necessities of the State, so that they may be able, as the first bulwark of the Government's credit, to respond quickly and effectively to any calls the Government may make upon them. In this connection it is most important, gentlemen, that interest rates should be kept at a reasonable level throughout the country, that sufficient expansion of credit should be had to carry on the great commercial and industrial operations of the Nation and to assist in the flotation of successive issues of Government bonds.

I should like to impress upon you the importance of a prompt and widespread response on the part of the bankers of the United States to the offerings of short-time and Treasury certificates which will be made from time to time by the Treasury. These certificates, as you

know, have maturities of from thirty days to four months, and are sold in anticipation of bond offerings and the payment of taxes. Through their use, the necessities of the Government during the interval between recurring bond issues are met, and the process of financing these bond issues is not only eased but simplified. Undue strain upon the credit resources of the country is avoided because payments are spread over a period and adjusted in such a way as to avoid disturbance and inconvenience. The banks can render highly valuable and patriotic service to the Government by purchasing promptly, and to the extent required, these Treasury certificates as offered.

We are fortunate in having the Federal Reserve System, whose usefulness is now becoming increasingly manifest. This system is demonstrating every day its tremendous importance and value to the banks and to the American people. It not only gives strength and security to our financial structure, but it offers the essential means of legitimate credit expansion and flexible note issues, for which the country has so long stood in dire need. This system has already won the approval of the bankers and people of the United States. I wish that the State banks would realize the great opportunity they now have of promoting their own interests by joining the Federal Reserve System, and by doing so to make that great system more impregnable for their interests and the common interest of the country. It would consolidate the financial strength of the Nation in such a way that the operations of the Government in this war could not be put in question. It is a commanding duty of self-interest and patriotic service to the country.

The next offering of the Liberty Loan has just been announced. The amount is \$3,000,000,000, with the right reserved to allot 50 per cent of the oversubscription. I should like you to understand, gentlemen, that in the determination of the amount of these offerings I am controlled by inexorable facts. These facts are the actual necessities of your Government. I do not determine these questions arbitrarily. We are face to face with a situation where the needs of the Government must be met. When I announce the amount of an offering of liberty bonds, please remember that it is the minimum with which the Government's business can be carried on and the war effectually conducted. I should feel happier if the loan were larger, but I have endeavored to make it as small as possible in order that the least possible strain may be put upon the country's resources during the crop-moving season.

We must make this loan a success. We can make it a success. The failure of a single issue of Government bonds would be worse for America than a disaster upon the field of battle. We must never let that happen.

A few days ago I read the following manifesto issued in Berlin by the League of German Municipalities:

If money talks, the President of the United States may learn by October 18, when the subscription lists close, that the echo of the new war fund given by the German people will have drowned out completely the clamor of unending protests to which his reply to the Pope has given stimulus.

Let us meet that challenge by a subscription to our Second Liberty Loan on the 27th day of October, nine days after the close of the German loan, which will make clear to the German military despotism that America marshals not alone her brave soldiers upon the field, her invincible Navy upon the high seas, her industries throughout the length and breadth of this land, but as well her financial resources, and that she is determined to use them all without stint and regardless of sacrifice to vindicate American rights, outraged too frequently by German infamies. Let us answer this challenge by making clear to the world that the American people, with transcendent love of justice and of country, stand solidly behind their great President and support unequivocally the purposes of this war.

Fellow countrymen, we are at one of those great points

in the progress of civilization where pregnant issues for the whole human race are to be determined. It is an inspiring thought that noble, free, peaceful, and liberty-loving America has been called by God to powerfully influence, if not to determine, the course of future events. We have a grave responsibility, and I know that we shall discharge it worthily of American patriotism and American idealism. These problems are of unparalleled novelty and magnitude. The means of determining action must frequently be more instinctive than logical. We are traversing unknown and uncharted seas. Our compass

must be the steadfast cooperation of the best wisdom and intelligence of the country, inspired by a lofty patriotism which neither obstacles can discourage nor death defeat. America's sacred rights must be vindicated; a just and lasting peace must be established; democracy must be triumphant; despotism must be destroyed; and, when these great things have been accomplished, everywhere throughout the length and breadth of the civilized world men shall proclaim noble America as the valiant knight who came upon the scene in the blackness of the night and rescued civilization!

War Finance and the Federal Reserve System

BY BENJAMIN STRONG, Governor of the Federal Reserve Board of New York.

The invitation which your officers were good enough to extend to me to address this Convention was accompanied by the suggestion that I should say something about the relations of the Federal Reserve System to government financing. But those who have sent sons to France, find it difficult to discuss the war in terms of dollars. Some of us have just said good-bye to boys who are leaving their homes to make the supreme sacrifice for their country. They are our real investment in the war. Our return on that investment will not be valued in rates of interest, but in the consciousness that it has again been shown that our form of government and our institutions develop in our citizens that generous altruism which is our proudest national tradition.

We look to these armies of the best the nation has to offer for the victories which can only be won by individual heroism. They look to us for the support which must be accorded through personal self-denial.

The great military organization now being created is only one part of the fighting machine with which we must equip ourselves if the sacrifice of sons and husbands is not to be in vain. The first army to be mobilized is the army which must shape and control the economic activities of the American people, so as to produce material for conducting warfare. Our battles can be won only by turning over to our government as rapidly as needed billions of dollars of credit, which must be drawn from the earnings and economics of the people of the country.

The general character of the financial organization needed for the work had been determined by statutes already enacted before our entrance into the war. Congress had for many years provided by law that government bonds should be sold by popular subscription without deduction of bankers' commissions, and in December, 1913, when the Federal Reserve Act became law the Secretary of the Treasury was authorized to appoint the Federal Reserve Banks to act as the Government's Fiscal Agents. These two brief paragraphs in our statutes, supplemented by the patriotism and energy of American bankers and their aids, are all that was required to lay the foundation for an organization which I believe can be relied upon to furnish credit at a minimum cost just as rapidly as the government can raise armies and the country can produce supplies.

Secretary McAdoo foresaw that upon this foundation he could build up a machine for war finance which would bring into co-operation in one great army, the bankers, the press and a multitude of other organizations not ordinarily related to the financial operations of the government, but so co-ordinated that their services would supplant those of the Treasury Department and of its fiscal agencies.

Each reserve bank was advised of its appointment as fiscal agent and directed to proceed with the development

of the machinery needed to place the first Liberty Loan on May 3, 1917. While the organizations were different in each district, the main characteristics were the same. Committees were appointed to co-operate with the reserve banks and upon these committees—largely composed of bankers—there developed the duty of subdividing each Federal reserve district into sub-districts and even smaller divisions so that ultimately in the Federal Reserve District of New York (and I believe practically all the others), we had committees or representatives actively at work in every city and town within a few weeks of the day we were told to start. In conjunction with the committees appointed to actually sell bonds, publicity organizations were created in all parts of the country, which had particular charge of news, publicity, advertising, public speaking, distributing posters and managing a great variety of other activities aimed to educate the people of the country to the importance of saving and of buying the bonds of the government.

Most of you are familiar with the way in which this matter was handled. Notice was necessarily so short that it was an almost superhuman task to cover the ground adequately between the first of May and the middle of June. Plans made so hastily cannot be expected always to work smoothly, nor did they when the first loan was placed. But much of the difficulty was due to a general lack of appreciation on all hands of the magnitude of the task. Many bankers expected the bonds to be delivered immediately upon payment; others failed to realize what a magnificent response would result from this offering and were inadequately equipped with clerks to handle the subscriptions; still others failed to take into account that the placing of a loan for the government must be handled by most precise methods requiring accurate reports which must be filed on time. We have learned how to do it better hereafter. Whatever friction nothing can really mar the magnificence of the response. During the last few days before the subscriptions closed, when we were handling in the Federal Reserve Bank of New York alone some thousands of telegrams and telephone calls each day, we could feel the impending rush of subscriptions as one would sense the approach of a storm. Nor need we be ashamed to admit that at the close, the flood of subscriptions was completely beyond the handling capacity of even some of the largest and best organized banking institutions in the district.

It is stated that there were four million subscribers to the loan. I believe this underestimates the actual number of subscribers by at least 25 per cent. In the Second Federal Reserve District, we have delivered 1,931,666 full paid interim certificates which in number equals about 14 per cent. of the population of the district. If less than one-half of this proportion prevails throughout the coun-

try, it would indicate at least five million subscribers—a response which makes this first war loan an achievement of the first rank in Government finance. The record in the city of Rochester indicates what is possible in the whole country. I am told that with their population of about 250,000 people they had no less than 61,000 subscribers. Such a response by the whole country would produce 25,000,000 subscribers for a Government loan.

Every detail of the last loan has been completed in the Second District with the exception of deliveries of the permanent bonds. I think the same will be true in all districts. Naturally, those who may decide to convert bonds of the first issue into bonds of the second issue will prefer not to require of us the expense and labor of two deliveries. The permanent bonds are rapidly being prepared, and I know that I am only expressing the wish of the Secretary of the Treasury, as well as the officers of all the reserve banks, in asking that the bankers, through whom these subscriptions were originally made, co-operate with us in conducting this complicated operation of making deliveries.

Such complaint as has arisen regarding deliveries of bonds fails to take into account the enormous physical labor involved. The requisitions for bonds by the reserve banks called for a total of 8,782,000 pieces, which would require 20,000,000 sheets of paper weighing 237½ tons. In the Second District we have handled 4,005,657 pieces in issuing interim certificates alone.

To indicate the amount of labor involved in placing these Government bonds, the clerical force of our bank has increased from 100 to about 600 people in a few months. The Publicity Division of the Liberty Loan Committee employs about 100 people in addition, and the Committee Organization of the Second Federal Reserve District now embraces about 15,000 individuals, and will greatly exceed that number when all appointments are made.

The actual machinery for selling the Government's bonds, keeping proper records of their issue and making deliveries is not, however, the most important part of the Government's financial operations. Of much greater importance is the problem of so arranging this huge financial operation that it may be conducted without disturbance to money markets, and consequently, causing a disorganization of business. Of this I should like to speak particularly from the standpoint of the Federal Reserve Bank of New York and of the New York money market.

New York is the country's central money market. From it radiate the principal currents of credit, so that an accurate view of the New York position is illuminating as to the whole country.

Were I asked to state in the fewest words the functions of the Reserve System in relation to Government financing, I would say that the reserve bank keep the books of bank reserves and of Government credits for the entire country. In a banking sense they run the general ledger. Present conditions afford the first opportunity for you to judge whether they do it well or not, and it is desirable that you should have the facts so that you may judge in this matter, because the confidence that is based upon understanding of, and belief in, our banking system at this time is essential to success—without it we shall fail—with it, we must succeed.

The amount of banking accommodation required in any well-organized country may be said roughly to correspond to the volume of the country's business. As business increases, bank loans and deposits increase in somewhat like proportion. As business declines, liquidation takes place, bank loans and deposits go down and the proportion of reserve to deposits increases. As an illustration of this formula, take our own experience in the past few years. When the war broke out, after a short period of disturbed business, we were flooded with war orders, and at the same time flooded with gold. Business

became increasingly active. Bank deposits and loans increased along with a rapid increase in our gold reserves. The production of our mills had to be speeded up to meet these increasing demands, so at the same time the circulation of credit had to be speeded up to finance an increased trade. Now our Government has entered the war, and is making further demands upon our productive capacity. The volume of these demands may be gauged—roughly, it is true, but still with a fundamental accuracy—by the amount of the borrowings and increased tax collections of the Government, and we must again speed up the machine of credit to keep pace with the machinery of production. The reserve banks form the center or hub of this credit machine, and I will briefly describe how the conduct of their operations is actually accelerated when the pressure is applied.

When the Government makes an offering of securities, whether of long term bonds or short term notes, the banks of the country immediately realize that their customers or clients will subscribe to the offering, and that they (the banks) will be called up to make the payment on the subscriptions in their respective localities. Banks located outside of New York City, practically all of which have money on deposit there, prepare for this by drawing on their New York balance or calling in their New York loans, and withdrawing these credit balances to the interior. As a rule they do not take cash but take credit on the books of the reserve bank of their district or of their local reserve agent. This is the first spin of the wheel. The Federal Reserve Bank of New York receives from the other eleven reserve banks a vast sum of New York exchange for collection and remittance in advance of each loan being placed. It must settle with the other reserve banks every Thursday through the Gold Settlement Fund maintained in Washington. This results in a pull on the reserves of all the banks in New York City. The checks we collect from them reduce their reserve balance at the Federal Reserve Bank of New York and cause the wide fluctuation in excess reserves shown by the New York Clearing House statement. To meet this drain the member banks in New York come to the Federal Reserve Bank and borrow money in one form or another. Sometimes other means can also be employed to recoup their reserves. For example, at the time of the last loan, the Federal Reserve Bank of New York purchased from the British Government \$120,000,000 of gold in a period of two weeks, and in addition received payment in gold of certain international obligations amounting to over \$50,000,000 which matured on June 20th. All of this gold came to the Federal Reserve Bank of New York, but was for the credit of a large number of New York banking institutions. Their reserves were immediately built up and, to that extent, the drain was offset.

A further means of relieving the loss is to offset it by transfers of Government deposits from these sections of the country which have drawn so heavily on New York that their own reserves have been increased to an amount unnecessarily large. These transfers are accomplished by telegraph through the Gold Settlement Fund, and start currents flowing in the opposite direction, so that the movements between New York and each of the other Federal reserve districts largely offset each other, leaving only net amounts to be transferred.

Still another method has been provided for achieving the desired result with a minimum of delay: Every Federal reserve bank has adopted a resolution authorizing its officers to rediscount its portfolio with any other Federal reserve bank. This procedure is authorized by Section 11 of the Reserve Act, which gives the Federal Reserve Board, upon the affirmative vote of five members, the power to require such rediscounts, and authorizes the Reserve Board to fix the rates. At first this appears to be in the nature of a borrowing operation, but in point of fact it is really not so at all. The Federal reserve

bank, in this case New York, which loses its reserves through the Gold Settlement Fund, is usually simply paying out to the other reserve banks the reserve money which has been deposited with it by its own member banks whose accounts are depleted by these drafts from the interior. The reserve accounts of the members in New York are restored by the New York bank rediscounting their paper. If any considerable amount of reserves is moved to the other reserve banks and the amount of these discounts becomes sufficient to impair the reserve position of the Federal Reserve Bank of New York, then it can simply turn over its portfolio in part to those reserve banks which are correspondingly strengthened. Expressed differently instead of settling balances through the Gold Settlement Fund with gold, we would in that case settle our debit balances by the use of paper out of our portfolio, apportioning it with due regard to the reserve position of each of the other reserve banks. This plan for speedy and almost automatic transfers of credit has not yet been put into operation, though in the future it may become a resource of vast strength.

This explanation seems necessary to make clear that the normal function of the Reserve System expressly authorized by the statute and very wisely provided with regard to just such a situation, is simply being exercised for the benefit of the member banks as a whole. The statute provides for the co-operative use of reserves and credit facilities of the twelve reserve banks in time of emergency, so that their combined strength may be as effective as though they were one bank instead of twelve.

To return to our chronology; the next step in these financial operations, after the subscriptions are closed, is their actual payment into the reserve banks by the banking institutions of the country. The preliminary readjustment of credit to enable them to do so, you will observe, has already taken place. The payments as made are credited to the Government on the books of the reserve banks, in some cases actually, in other cases only constructively. Where actual payments are made, the reserve banks, acting as fiscal agents of the Government, at once redeposit these payments with the national and state banks where they originate. Where the payment is constructive, it simply means that the bank originally subscribing (either for itself or its customers) for the Government securities, instead of making a remittance to its reserve bank, merely credits the Government on its books with the amount to be remitted, having previously furnished the Government with collateral. At this stage the Government has hundreds, and possibly thousands, of accounts on the books or banks throughout the country. It is now in position to make disbursements either from its own purchases or for loans to the allied nations. But as these payments must principally be made in New York at the present time, it becomes necessary for the reserve banks gradually to withdraw these deposits and shift them through the Gold Settlement Fund to New York. Then a new set of entries must be made in what we may call the general ledger. The deposits in other districts are drawn down and remitted to New York through the Gold Settlement Fund. As this may reduce the reserves of the banks that hold the Government deposits throughout the country, the reserve banks of those districts must stand prepared to discount the paper for them to the extent necessary to make good the reduced reserves. This was done in a small way when the last loan was placed, and is being done to some extent, though very moderately, today as a result of withdrawals of deposits now arising from sales of certificates of indebtedness. As these funds are withdrawn to New York from the interior reserve banks they are immediately disbursed by the Government in New York and increase the deposits and reserves of the New York banks generally. The New York banks can then repay

the advances which they have received from the Federal Reserve Bank of New York, which builds up its reserve. It can then in turn repay to other reserve banks any paper which it previously might have delivered to them if rediscount transactions had taken place between reserve banks. Gradually the whole set of entries arising from the preliminary withdrawals from New York will have been reversed and canceled as a result of the ultimate disbursements of the Government. The reserve banks have stepped into the breach simply to make some temporary advances. They have provided the machinery to move a great mass of credits rapidly from one part of the country to another and back again. In a sense the placing of these huge Government loans is like moving a crop. When we have a large crop, the credit machinery must move faster. These large Government borrowings make it necessary to speed up the credit machine, and that is exactly what the Reserve System is doing.

The figures of the Gold Settlement Fund illustrates what is being done:

Gross Clearings, 3 months, ending June 30, 1916.....	\$ 832,299,000	
Gross Clearings, 3 months, ending June 30, 1917.....	5,101,317,000	
Balance Paid:	1916	1917
April	\$21,756,000	\$ 75,519,000
May	42,994,000	219,263,000
June	28,723,000	217,648,000
Total	\$93,473,000	\$512,430,000

But I think I am correct in assuming that you are more interested in a still later stage of this operation. It appears as though at this point the ultimate effect of subscriptions to Government loans, the withdrawal of their proceeds to New York and their disbursement in New York by the Government, has resulted in a permanent loss of deposits, and consequently of reserves, by the banks of the interior. The fears many bankers have expressed to me on this score would in some sections appear superficially to be well grounded, but the effect will not be permanent. If it were so, that section of the country which suffered a permanent loss of deposits would suffer permanently a corresponding contraction of savings realized from its productive capacity, whether it was in manufactured goods, foodstuffs, the products of mines or of forests, or what not. This great credit fund being expended by the Government, with the exception of the pay of soldiers abroad and of negligible purchases abroad, is being expended in this country in the purchase of materials of great variety, and the amounts loaned to our allies are almost entirely being spent here as well. It means that in all sections of the country these credits must inevitably move back to their points of origin, directly or indirectly through Government purchases. New ships, oil and coal, and products of mills, mines and forests in every part of the country, now go to the Government, and each pulls back a share of this great fund. Even those sections which do not directly receive Government contracts indirectly receive the benefit. Purchases of materials of various kinds in one part of the country either develop demands for raw materials or create a vacuum of goods which must be supplied or replaced from other sections. The intricate commerce of the country is so interwoven that it is difficult to exactly trace these movements, but the result is inevitable, and in those sections where this movement does not reach, it means that production and saving have been arrested, since the amount subscribed in any locality for loans to the Government is measured by the amount which that locality saves out of the profits on what it produces.

It must be admitted that our agricultural products, which are one of the chief instrumentalities for bringing about this readjustment, are in the main marketed at one short season of the year. In the interval, withdrawals of bank credits from those sections of the country will leave a vacuum somewhat longer than in manufacturing sections where production and marketing are continuous the year around. But when crops are moved and paid for this credit will move back inevitably to the agri-

cultural sections so long as profitable crops are produced there.

I refer to this particularly and emphatically because of the fears which some bankers entertain which might induce them to withhold their best efforts from assisting the Government in placing the next loan. The last work of assurance on that point, very properly, must come from the reserve banks, for during the interval between the marketing of one harvest and the next, when banks in the agricultural sections must both finance the farmers and assist in financing the Government, reserves must be bridged by reasonable accommodation at the reserve banks. That is what the reserve banks are for. They expect to be used, and no time like the present will ever arise in our history when this use of our new banking system will be so important to every citizen.

Speaking of these matters from the standpoint of the reserve banks themselves, I fear you may have heard careless discussion of their possible intention to attempt arbitrary control of these money matters. Only one kind of control is required, and that is self-control. The reserve banks should not be expected to tie up their reserves in permanent financing for the government or anybody else. Their function is to make these temporary loans during periods of strain, whether occasioned by war and government financing, by domestic difficulties, or by any other cause. The exercise of self-control in these matters means that the reserve banks will see to it that the expansion which they afford to our banking system is that temporary expansion which is represented by a portfolio containing self-liquidating bills and loans which mature within a reasonably short time and which Congress has wisely fixed at ninety days and no longer.

I think I may use the experience of the Federal Reserve Bank of New York to illustrate this point. On the first of June, the discounts and loans of that bank, all maturing within ninety days, amounted to \$37,000,000 and its investments, which included \$20,000,000 of short term certificates of the government, amounted to \$29,000,000. At about that time the interior drafts which I have mentioned began to come in, and during the month of June we were obliged to settle debit balances to the interior reserve banks aggregating about \$550,000,000. During that short period our discounts rose from \$37,000,000 on June 1 to \$252,000,000 on June 19. Of this \$252,000,000 of discounts,

\$173,000,000 matured within 15 days,
 \$ 19,000,000 matured within 30 days,
 \$ 29,000,000 matured within 60 days and
 \$ 31,000,000 matured within 90 days

By August 15, our discounts had been reduced to \$62,000,000 without any increase in rates being employed to force the reduction. In other words, in two months we liquidated \$190,000,000 of paper taken from member banks with practically no disturbance to the money market. On September 19 our total discounts amounted to \$87,000,000, of which,

\$29,000,000 matured within 15 days,
 \$17,000,000 matured within 30 days,
 \$20,000,000 matured within 60 days,
 \$21,000,000 matured within 90 days.

Our investments totaled \$8,900,000, of which only \$1,300,000 consisted of long-time bonds of the government, purchased under statutory provisions of the Act, and \$2,600,000 short-term U. S. Treasury certificates of indebtedness.

With this liquidation automatically accomplished, it leaves us on September 19 with \$658,000,000 of reserve, practically all gold, being 89 per cent. of our net deposit and note liabilities. The whole Reserve System on September 14 held \$1,415,000,000 of cash, practically all gold, as reserve against the liabilities of the whole system. With this magnificent foundation upon which to rest our government's banking transactions, how can things go wrong? There is no occasion for timidity on the part of our bankers in putting the full weight of their influence,

their energies and their resources behind the government in the conduct of the war.

In conclusion, I wish to say a few words in regard to the Administration's financial policy. On this subject history in borrowing money. The records of the British as I have, the record of the last one hundred and fifty years of financial operations in war time of certain European governments. You will then realize that any finance minister who has the courage to impose taxes at the outbreak of a war heavy enough to pay bond interest, to rapidly amortize bond issues when peace comes, and to pay a share of war expenses, will have a minimum of difficulty in borrowing money. The records of the British Government in the Napoleonic Wars, the Crimean War and even so recently as the Boer War, demonstrate, by the mistakes disclosed, this fundamental principle of war finance. But we do not need to turn to Europe for examples on this subject. The history of the financial operations of our own government in the Civil War is entirely adequate to justify the policy being pursued. Within little more than six months of the outbreak of our Civil War our banks suspended specie payment. Our government was borrowing money from the banks in 1861 at ruinous rates of interest, and only too soon was driven to the disastrous expedient of issuing fiat money. In 1862 the government placed its loans at rates which on a gold basis produced a value of about 96 per cent. of par value for bonds bearing high rates of interest. The funds realized from loans placed by the government in 1863 produced on a gold basis as low as 64½ per cent. of par value, and in 1864 as low as 41½ per cent.

On the other hand, the clear war revenues from taxes in 1862 were but \$52,000,000; in 1863, \$113,000,000, whereas in 1866, after the close of the war, the revenue legislation then in force produced the enormous total for those days of \$558,000,000. It is obvious that the failure to support the government's credit early in the war by adequate tax revenues undoubtedly was one reason for the unfortunate later indulgence in every variety of unsound financial expedient, the effects of some of which have dogged our steps for nearly fifty years.

Now let us compare the present tax program with these past experiences. Their dissimilarity is so striking as to be almost startling, and is one of the most hopeful auguries for the success of our whole financial undertaking. Personally, I rejoice that the officers of our government have the courage to face the criticism on the one hand of those who believe the program of taxation is too heavy; on the other hand of those radicals who think it is not heavy enough. Not enough taxes means declining credit, too much taxes means declining industries. The only danger in exacting heavy taxes on profits and incomes is the danger of not allowing sufficient profit inducement to the industries of the country to stimulate production. I confidently believe that our country can pay all the taxes required to maintain its credit and to support all the borrowings needed for the period of the war, without crippling its vital industries, and that those who now cry calamity simply because they don't want to pay heavy taxes will some day see and acknowledge their error. But our Congress must be careful not to destroy the income sources which produce taxes. Industries which must expand to meet war conditions, need earnings for plants and inventories which may be useless when war ceases, and yet they must be built. To take all their income will retard new construction.

Those of us who have sent our boys to France are beginning to realize what the war is. Our part in it and the motive behind it will be an imperishable glory for this great nation. But we must not lose our boys and lose the war for lack of money, nor must we fail in providing the money simply because our financial army is inadequately equipped. I am convinced that the only important weakness in our financial organization is the lack of State bank membership in the Federal Reserve System.

One-half of our financial army is equipped with modern machinery by membership in the system. The other half, equally patriotic, is ineffectively armed. You will recall the disastrous results to the Russian armies in the early days of the war, when large numbers were sent to the

front without arms and ammunition. Don't let us fail of our duty for lack of the strength we can only enjoy if we are united. It may indeed rest with you State bank men to determine what shall happen to our boys, and they *must* come home victorious.

Civic Soldiers in the War for Democracy

BY CARL VROOMAN, Assistant Secretary of Agriculture, Washington, D. C.

I think I can safely say that I shall not make any exaggerated statements here today—for my theme is one that does not admit of overstatement. It is not possible to exaggerate the gravity of the crisis that we as a people and as a world-power face. This is the most momentous hour in our history, if not the most fateful hour in all history. It is not merely war that concerns us—and war on a scale transcending anything that the world has seen hitherto in the way of military operations—but we are face to face also with War's most dreadful handmaiden, Famine. Not as a people, of course, for we can always hope to feed ourselves, but as one of a sisterhood of nations, we are face to face with Famine. We may not be starving ourselves, but millions of our fellow men are.

This arch-enemy of all mankind, this dread mother of pestilence, is our real foe. While we are doing our best to stand by our allies in a strictly military way, we are fighting another fight that is harder even than this great fight of democracy against autocracy—the fight against this enemy of all the world.

I am glad to be able to say that the bankers of America are loyally doing their share in this great fight. Of course there is nothing new that I, an outsider, can tell you in regard to the splendid work that has been done by your agricultural commission, but I can at least tell you, as a representative of the Federal Department of Agriculture, how we value the constructive work the commission is doing for agriculture, and thus for the country as a whole. When that commission was established half a dozen years ago, you got clear down to rock bottom in the matter of economic betterment. There is no possible way of accomplishing more for the material welfare of this country as a whole than through the fostering of a permanent, scientific agriculture. This is fundamentally an agricultural country. Agriculture is the mudsill of our economic structure. And when the American Bankers' Association went to work to foster scientific agriculture through its local representatives it began a typically American work, and one that has typically American possibilities. We shall watch the progress of that work with the keenest interest, and shall always be glad to co-operate with your commission wherever we can be of any assistance in the prosecution of your campaign for better farming.

Your work for agricultural betterment becomes of very vital significance, now that this ghastly specter of famine is lurking over the skyline of the world. It is a work that is typical of the splendid service that the business men of this country, as a class, are rendering to their country in her hour of extreme need. I dare aver that never before have the business men of a nation shown such patriotism as they have shown in the United States during the past three months. Instead of regarding the war as an opportunity to extort illegitimate war profits from a dazed and distracted Government, many of them have offered not only their services but their enormous business organizations and properties to the Government, on any conditions it might see fit to impose. This is a splendid and thrilling manifestation of the real American spirit.

Unfortunately, however, there have been exceptions to this rule. Only recently we have seen the Secretary

of the Navy and the Chairman of the Shipping Board forced into the arena in a hand-to-hand struggle with an organization of unpatriotic, selfish, sodden steel magnates, intent only upon extorting from the Government despicable millions of illegitimate profits, while loyal, red-blooded Americans were rushing eagerly forward to sacrifice money, ambition, and even life itself, upon the altar of country. Evidently even this great nation is not entirely free from Tories, junkers and disloyal reactionaries.

Those of us to whom the gods have not vouchsafed the distinction of service in the trenches, evidently will find opportunity at home to show courage, self-sacrifice, and patriotic devotion fighting side by side with those Federal officials who have drawn down upon themselves venomous abuse for having dared to insist on keeping this war free from any taint of graft, extortion, or other forms of illegitimate war profits.

If this war is to be won, we shall have to put several armies in the field: The army of "Sammies" in the trenches, making of their breasts a rampart for free government and free men; the army of food producers in the furrows, and the women's army of food conservers, beating back the flank attacks and the rear attacks of that world-old camp-follower of war—famine; and a patriot army of civilians in the business and political world, fighting against disloyal greed, unpatriotic partisanship, perverted personal ambition, and economic treason to the Republic.

If an army of civilian patriots be not organized to stand behind the President and fight this great fight for business honor, while our boys in khaki are gaining for themselves and for their country an imperishable renown, fighting and dying triumphantly in the trenches, that country will be disgraced at home by a despicable scramble for illegitimate war profits on steel and coal, on munitions and food. Men of America! This degradation must not come. Ten million of the flower of American manhood by the selective draft have had their names written on the nation's immortal roll of honor. *The nation calls to-day for an equal number of volunteers to fight in the business world, and at the ballot box, to make the conduct of this war as clean and patriotic, as heroic and self-sacrificing, at home as it is in the trenches of France and Flanders.*

These boys are rich with a wealth in comparison with which the treasures of the Rand are as dust and ashes. Life offers them unlimited credit—youth with its years to draw upon, health with its glow and power, hope with its lure, dreams with their unledged treasures, love that is the crown of all these. The very wine of life is theirs, as in a cup; yet they put the cup aside. They have everything; yet they offer all.

Gentlemen, do you get that? All!!!! We who stay at home, though we were to sacrifice to the very uttermost, though we were to say not merely 10, or 20, but even 100 per cent. of our material wealth upon the altar of our country, can never hope to give as much as has the humblest private in khaki who gives his lifeblood to stain the sodden soil of Flanders or Champagne. For that boy is richer than the Rockefellers, or than the house of Morgan, richer than any or all of the kings of world finance,

and he has laid upon us an obligation that all Wall Street can ever hope to liquidate—for he has sacrificed his youth upon the altar of Freedom.

As President Wilson has said, the patriotism of these men who offer everything is the standard by which patriotism must be measured and the man whose patriotism is not of the same fiber as the patriotism of our first line, fighting in the trenches, is not worthy to be called a patriot at all. Any man who is actuated by a lower motive than that of the man who offers his life is not a red-blooded, loyal, hundred-per-cent. American. Any man who allows personal interest, ambition, or partisan prejudice to keep him from participating in this militant civic crusade for national decency and self-respect, is unworthy to live under the flag that floated over Washington and the heroes of the Revolution, and that to-day floats over those boys of our own flesh and blood whose lives are dearer to us than anything save only freedom and honor, but who to-day are preparing to die that a free America may live.

Every day we hear men regret that they are too old to enlist. There is no man too old to enlist in this *home-guard of our national honor*. There is no man too old to make his sacrifice at the shop, the bank, the farm, the ballot-box, a sacrifice of greed and partisanship, a sacrifice of the opportunity to extort illegitimate war profits from country or from fellow countrymen.

Every man who is fit to be the countryman of the boys who are fighting in France to protect our free institutions and the free institutions of the world from the military despotism of the Hun and the Turk, has his chance to-day to join with them in this immortal crusade to make the world "safe for democracy," to establish a permanent peace upon just and self-governing foundations.

This war is going to mean to our nation a rebirth. All business and industry is going to be raised to a higher standard. Every patriot who participates in this great work of social and political reconstruction is a civic soldier of democracy. Every citizen who fails to participate in this patriotic movement is a slacker and a parasite.

Our President is leading not only a war of national defense, but a world crusade for democracy. The Central Powers have been given to understand that, as soon as the forces of liberalism gain the ascendancy and transform themselves into self-governing nations, this war can be brought to an abrupt end. From every side voices are heard, urging the masses of Germany, Austria and Hungary to rise in splendid insurrection, in order to do with

the Hohenzollerns and the Hapsburgs what the Russians so recently did with the Romanoffs. The prayer on the lips and the hope in the hearts of three-fourths of the human race is that liberalism thus may triumph in Germany without the necessity for a further continuance of battles and slaughter. So far as the human eye can see, this is the only possible short cut to peace.

In any event, victory is as sure as to-morrow's sun—the only question is how soon our triumph shall come. For, as I have said, this is a food war now—and *we have the food*. In this war of liberation we hold the trump, and when it is played it will be seen to be a bread card. I think we are all glad that we are in this war with no bitterness in our hearts for the people of any nation, that our quarrel is with a caste and a principle, rather than with a people, and that the flood of corn and wheat with which we shall win this war is a positive, rather than a negative force. I like to think that we are engaged in this great food production campaign, not merely with a view to feeding ourselves, our armies and the armies of our allies, but with a view to feeding ultimately the starving millions of the Central Powers. Would it not be a fitting thing, a thing as typically American as the marksmanship of our naval gunners, if, after the war, we were to furnish bread to Prussia, and Bavaria, and Austria, as well as to stricken Poland and devastated Serbia?

This is a task great enough to appeal not only to the patriotism but to the imagination and compassion of every man who has within him a spark of devotion to principle and to humanity. There is not one of us, I take it, who as a child has not read stories of the great and good men of ages past and been thrilled with the desire to emulate them and rise above the smug and commonplace, above the level of conventional success in life. We have all hoped that some time it might fall to our lot to achieve something that would make us the spiritual kindred of the great minds and souls of other days. Now our chance has come. The greatest crusade the world has ever seen, the greatest cause for which a free people ever drew the sword, calls upon us to sacrifice and to achieve. We have entered this crusade with hands as clean and hearts as pure as ever were those of knight of old going forth to search for the Holy Grail. Your opportunity and mine has come to do something eternally worth while—to make some sacrifice for high, spiritual ends. Let us each do his part promptly and with a solemn sense of the significance of what we do, for this is an opportunity for service to the cause of human freedom the like of which may never come to us again.

Business in War Times

By G. M. REYNOLDS, President of the Continental & Commercial National Bank of Chicago.

Some one has said that everyone likes to have nice things said to and of them, but they should not get puffed up over them, because they should have inside information. Now, my friends, I have inside information. I appreciate the generosity of the introduction and I assure you that it is a privilege as well as a pleasure for me to meet you here today. As I look out over this vast audience I feel somewhat in a reminiscent mood, for there are today within the sound of my voice probably more people in this audience than there were members of this Association twenty-six or twenty-seven years ago when I attended my first convention of the American Bankers Association at New Orleans. If I remember correctly, there were three hundred delegates at that Convention. There was an approximate membership of fourteen hundred, and when I reflect upon the fact that out of that beginning has grown this mag-

nificent American Bankers Association with its nearly eighteen thousand members, and with an attendance at the convention ranging between twenty-five hundred and five thousand, I am prone to believe that it is the most influential and the greatest organization of its kind in the world. I know your President rather better than did Mayor Bacharach, and, having had visits twice from burglars, I do not propose to take any chances with my own time-piece, but will turn the clock where I can keep my eye on it instead. (Laughter.)

I am very glad indeed that this Convention has been called at this particular time. I say this for the reason that the dispatches or news items which were sent throughout the West announcing the date upon which this Convention would be held stated that, after all, the American Bankers Association officials had decided to hold what they were to call a War Convention, the

inference being that there had been some question as to whether or not this Convention would be held at this time.

I do not believe there has been any discussion of this kind, but I say that I am glad this Convention was called at this particular time because of that, and furthermore, because of the fact that there was held in this city last week a convention of nearly one thousand of the Chambers of Commerce of the United States. It was a War Convention, and the chief topic of the discussion of "What can business do to help win this war?" Now, there are some people in this country who pretend to believe that business has not been right, and there are a few people who still profess to believe that bankers are money-grubbers, and that they have no interest beyond that of seeing what they can earn. While we go into the business primarily for profit, there are many things beyond that, and so far as I am able to observe, the banker is the foremost man in his community in anything that pertains to public good and public welfare; and I am glad that this Convention has assembled here at this time in order that the bankers of the country may record their patriotism in no uncertain words.

Personally I do not think that it is an especial compliment to any business man or banker to have it said of him that he is patriotic, because consciousness of duty well performed is the greatest reward for human endeavor, and if we discharge our duty to our consciences in a matter of doing what we can to help to win this war, the public will know full well upon which side we stand long before the war is well started.

The men who go forward as representatives of this country to carry the guns in the trenches and defend the Stars and Stripes are the men who are entitled to the honor and glory that there is in warfare, because they jeopardize their lives in so doing; but I want you to understand, gentlemen, that the second essential to a successful conduct of this war and an absolute necessity to its final winning is a splendid business organization back of the trenches, which will see to it that there is a never-ending supply of munitions and supplies following. There are many patriots and soldiers at home, and behind almost every bank counter, in every hamlet and city in this country, is a soldier who is doing the best he can to serve his country, but he does not wear a uniform. He knows nothing of rank or of commissions, or of straps, but he is doing the best he can, and I want to say here, and I think I can do so without successful contradiction, that there is no class of business in America that is contributing not only nearly as much in active cooperation and self-denial in a patriotic way towards the success of this country as are the bankers of this country.

If successful organizations, if efficiency in business is necessary, it seems to me that the two things that comprise the whole category of what must be done to win the war is to promote industry and distribution, and between these two points lies every activity of human endeavor that we call commerce and industry, and, gentlemen, if you can name a single one of those branches in which a banker does not have his finger upon the pulse of business, I would like to have you do so.

I have just attended a Convention where, as I say, the Chambers of Commerce represented directly other lines of business, and I want now to emphasize, if I can, what I believe in my heart to be a truism, namely, that the banker not only does in his cooperation with the Government what every other business man who is patriotic does, but he does more, because he has to do actively with more phases of the business. In the first place, as bankers, you help to finance the man who produces the foodstuffs, who is working in the industrial army, which is being raised and sent abroad; secondly, you have to finance the farmer when he harvests that crop. You have to help to finance him when

he transports it. The transportation lines themselves are dependent very largely upon the support and cooperation in helping them to equip their lines to carry this stuff over. You not only do that, but you finance the exporter who sends it abroad, if it goes out of the country, and you finance the manufacturer who makes the ammunition and the cartridges, and you assist the large number who distribute them. So I say that the banker in his activities in business touches the pulse of every branch and phase of this great thing that we call commerce and industry in this country, more particularly at this time, as industry and distribution.

Now, when we are ill physically we go to a physician, but when business is sick the man goes to the banker; and I want to tell you, my friends, that there have been many times during the last three years and much of the time I may say during which the bankers of this country have had their fingers upon the pulse of business; take the closing of the Stock Exchange of New York a day or two before the Declaration of War in Europe. What was the effect? Why, we were startled beyond measure. Where did the burden then fall principally? It fell upon the bankers of this country; bankers, who had hundreds of millions of dollars of securities as collateral, could not feel well that these securities were not marketable because of the closing of the Exchange. What did the bankers do? They did not compel the sacrifice of the value of those securities. They did not sell out their friends at inconspicuous prices, causing great losses to them—not by any means. They got over the burden and the exigency of their condition put upon them, and they carried that situation through until organization and cooperation later on created a market to a certain extent, even though the Stock Exchange was not open, and they carried them still further on through until the Stock Exchange was finally opened. That was a big problem that the bankers had to contend with, and in my discussion today I propose, while not intending to take much of your time—I propose to stick very largely to the discussion of the attitude of the bankers in this war.

The second great problem that the bankers were confronted with was the raising of hundreds of millions of dollars of gold funds. What for? To assure the ability of our friends in New York to meet the obligations of this country abroad, which were then due, and would be due within the next ninety days or four months. There were several hundred million dollars of obligations due, and soon to become due, and in their extremity in England and France and other countries abroad, where we were debtors, they needed their money and they put some pressure on us at the start, and this gold fund was raised at that time when people were disturbed, when confidence was unsettled, and we were confronted with the necessity of issuing Clearing House certificates in some of the largest centres pending the time that we could get a supply of the Aldrich-Vreeland notes. We created that one million million dollars gold fund, which, if I remember correctly, served the purpose, showing that there is in business a great deal that is known as sentiment; the mere knowledge on the part of European creditors of America that one hundred million dollars of gold was at the disposal of this Committee in New York enabled them to cope with that serious situation, and it was a serious one, for you will remember the exchange, particularly the telegraphic exchange, ran from 4.80—6.00—7.00—5.25. They met the situation with the use, if I remember correctly, of only 10 per cent. of that amount of gold raised; however, the bankers of the country had obligated themselves to furnish the full one hundred million. Following that, we were asked to contribute, rather to obligate ourselves to another fund of one hundred million dollars, known as the Cotton Fund. Now, as I understand it, not a single loan was really made under that fund, yet

we are assured as bankers that the mere fact that a subscription had been made to it enabled them to dispose of the cotton situation in a satisfactory manner.

Following that, we have had many things that have done more service to the business and business men generally, because whatever affects the bankers, so far as public confidence is concerned, affects the whole country.

Later on we have had our entering into the war. Since then, we have had our Government bond flotation. We have had many problems to contend with; and I am happy today to say that I am a banker, because of the splendid manner in which the bankers of the country have met every one of these duties and these obligations. I am here to say to Mr. Strong, of the Federal Reserve Bank, and to the authorities at Washington that the bankers intend to meet every other obligation that is imposed upon them in any necessity that arises, to win this war, to the credit and satisfaction of the people.

We find ourselves in America very much handicapped in the accomplishment of the things we want to do because we have such an abnormally large business that we are unable to handle it. It is not a matter of financing it. It is a matter of transporting it. President Goebel in his address has referred to the railroad situation. I mentioned it in my talk here the other day. I only mention it again now, not because I am speaking from a partisan point of view for the railroads, but because it is the largest grand branch of business in this country from the standpoint of capital invested and from the standpoint of necessity to the people. All over this country today we are improving our state roads. The truck and the automobile are being brought more and more into use in the first instances; but I am told that, whatever is loaded in the truck at the beginning, or where it is raised, ninety-six or ninety-seven per cent. of it finally must be handled by the railroads, and I try in my way to point out the fact that a part of the inefficiency of our present system and present conditions, through lack of ability to transport soldiers and supplies as rapidly as they should be, was due to the fact that we had not allowed the roads sufficient income to make the improvements necessary to keep up with the progress of the country.

Now, I was told the other day by an official at Washington that the greatest problem that is now confronting this country is the one of transporting our soldiers and our supplies to Europe, because of the small tonnage of ships available. He told me that it required approximately six tons of shipping bottoms per annum to send our men their munitions and their supplies abroad, and when you take into consideration the small amount of tonnage that is available you can see that that constitutes one of the greatest problems that we have. Now, our people have arisen to that situation. Congress has appropriated approximately a billion dollars for that purpose, and our machinery is at work, and already this morning in the paper I read that within a year from this time it is contemplated that America will have nine million five hundred thousand tons of shipping bottoms available for her use in this war; and in the world's trade after the war is over. Now, we have got to meet all those problems of business in this big broad way.

Personally I am rather inclined to think that the average banker looks at it as if it was his own personal controversy—and that is not a bad way to look at it. If we treat the subject as though we were the one affected, endeavor to do our utmost to accomplish the things which are necessary to the solution of these problems, they will all be solved.

I have such an abiding faith in the genius of the American business man to believe that whenever that problem arises he will meet that problem promptly.

We have had some discussion about taxation: We have had some discussion about the question of how much should be paid per annum on our expenses now, but it is only a matter of discussion. We all believe that to prevent over-expansion, a goodly share at least of the profits, war profits and excess war profits should be paid in taxation to apply on the cost of this war. The only trouble and the only criticism I have to make is that we have not yet known just what we had to work to. The American business man quickly adjusts himself to a condition if he knows what that condition is; and it seems to me to have been a little unfortunate that we have all this discussion on taxation coming at the same time that we try to float these large issues of bonds.

A man asked me yesterday—he said, "What do you think about those changes in the Revenue Bill?" I said, "Well, that reminds me somewhat of a little girl who came home from school and said to her mother, she said, 'Mother, I have got to quit school,' she said; 'Why, dear, why?' 'It is not any use for me to go any longer,' she said, 'I never can learn spelling,' she said, 'why, mother, every day they change the words on me.'" And so it has been with them (laughter)—they have changed the schedules on us.

Now, I was told the conference committee had come to an agreement, and if we know today or tomorrow what the schedule is to be there will be no complaint, but every man in this country, whether he be a banker, or in what line of business he may be, will take his coat off and go to work in earnest to help to accomplish what President Wilson is trying to accomplish, namely, to uphold the dignity of this country, and our cause.

Now, efficiency in business means cooperation. It means cooperation all along the line. The railroad have shown that through the appointment of a committee of railroad men, who operate with an expenditure of 3 per cent, they have brought about an increased efficiency of 26 per cent. Now, the same measure of cooperation or the same measure of efficiency can be shown in our individual and private work, if we get this cooperation among ourselves.

Mr. Strong has pointed out very distinctly and clearly how the Federal Reserve Banks are going to be able to finance the people of this country in all of those war problems. I have not the slightest fear of our ability to finance this new loan, and I want Mr. Strong to understand that there is not going to be the slightest doubt about the bankers doing everything they can to make it a success. We are not an eleemosynary institution, and; as I said before, primarily we are organized for the sake of profit, but we are engaged in a problem now that is of vastly more importance to all of us than is the question of profit and loss. It is a strange thing that in this country, with the large expenditures which Congress is providing for, that I have not heard a single business man criticize the amount. Everybody seems to feel that it is his bounden duty to do all he can to support President Wilson and the Administration in winning the war along the lines that they have started out. They know better than you and I do what they are trying to accomplish, and it is our duty to go along with them and forget whether we are Democrats or Republicans, or whether we believe in this policy or that policy, or whether we believe in this Governmental relation to business or that Governmental relation to business.

Now, I am sure that the bankers of this country realize that it is just as necessary to have these new bonds floated, and floated successfully, as it is for them to keep their banks open, and I am sure that they are going to do their part toward it. I feel in these days that all questions of partisanship should be questions of opinion only, that we ought not to allow anything aside from the main chance to stand in our way in the

accomplishment of those things which we have undertaken.

Now, what is the duty of the bank? That is the problem that goes to the heart of everyone of us. What is our duty? We all know that primarily the raising of foodstuffs is the first essential, and therefore we should give such support as we can consistently; and no banker can do anything that is not consistent or conservative. We qualify all that we say, of course, with that it must be conservative, it must be safe. Therefore, we must do all we can to promote not only a larger business, but we must do all we can to promote a larger yield, and better quality, which we can do if the people of this country put their mind to it. They have done it in several countries and we must do it here. We must all do what we can to support the legitimate business, and when we have demands for money for legitimate purposes, it must not prompt us to say "No," because every time we say no we throw some sand in the gearbox, and we are retarding the success of the great thing which we have undertaken to accomplish, namely, the winning of this war.

Now, I think that this Federal Reserve System will be a reservoir to which we can go and replenish our reserves in the manner in which they will enable us to meet every legitimate demand; and when I say the demand is a legitimate demand, I mean legitimate, because it is unreasonable for anybody to expect bankers to extend credit to them, or be helpful along lines which are speculative, or which smell of either overexpansion, and I am sure that the bankers of this country are going to see to it that speculation and overexpansion are not a part of the game at this time.

Now, I have been going up and down the country here for several years, preaching to the bankers that the rediscounting function was a perfectly legitimate one under proper conditions; by which I mean that when the necessity of a community in which a bank is located is for that community to have more money than the bank furnishes, it is perfectly proper for them to rediscount with their correspondents wherever they can get the best service.

I do not mean by that, that I believe that because you could loan more money than you have, it was a proper thing to rediscount and carry out continuously, because I don't, but I have said that even under the old law, I believe that the bankers hampered their activities and retarded their growth and development, and impaired the efficiency of business in their respective communities, because they were afraid to show a rediscount.

Now, my friends, we have got to get that out of our system if we are going to meet this condition with which we are confronted. Let me tell you the best thing about the Federal Reserve Bank. If you are not satisfied with it—it is to borrow money from it and uphold your own

business in your own community by so doing—that is the best way to beat it. I propose to rediscount whenever it is to the interest of my institution to do so, and whenever the necessities of my customers require it, provided I can induce the officers of the Federal Reserve Bank to believe the security is satisfactory. Now, if we can look at this in the right light—I know how this question of the fear of showing rediscounts has grown up, because I am in a center where I know how you can go round the corner and come in the back door—it takes it in some other way. I feel that I do not stand here lecturing you people about how to borrow money, because I know when you need it, you do get it, and you do get it, even if you don't show it in your statements. I am only saying to you in a very frank way, that I think the time is coming for us to cast aside that fallacy and false notion, and come out in the open and do what is necessary.

Let us cooperate with our Federal Reserve System. Now it is here, it belongs to us. We ought to cooperate and deposit with it, and therefore in so far as we can, it is our duty to cooperate with it, and particularly when by so doing we are going to cooperate in the interest of our own respective communities.

I am almost inclined to believe that in these times, if the man who heretofore has been afraid to rediscount, and afraid to show it in his statement, that is the need of moral courage to do so, if he goes to the Federal Reserve Board, he will make a record and an honorable record for patriotism in the discharge of his duty and in relation to the business men of his own community.

Now, my friends, I did not come here with any special set talk to make to you, preferring rather to talk to you from my heart a little, as I have today. One of the reasons has been that I did not intend to keep you long, and I think I have already taken as much time as I should do. As I said in the beginning, it is always a pleasure to me to meet the American Bankers' Association members and I mean socially; but in my relations to this Association, I feel a good deal like the nigger and his religion. He was at a meeting, at a revival, and you know they have experience meetings. Well, at this experience meeting, this colored man got up and said, "Yes, I have been a very bad man all my life," he said. "I robbed the hen roosts and I stole the pig"; but he said, "I have lied and done everything else that is bad," but he says, "Thank God I haven't forgotten my religion—I have not lost my religion." [Laughter.] I am that way with the American Bankers' Association. Whatever else way happen I have not lost my interest in the American Bankers' Association or my love for its members.

I appreciate the honor always to meet my friends in conventions assembled, and I hope that it will be my pleasure to add many years of this experience.

“How Long?”

By LORD NORTHCLIFFE, Chairman of the British War Mission to the United States

Mr. President, Ladies and Gentlemen:

After the very flattering introduction given me by Mr. Peter Goebel I feel somewhat hazy as to my capacity to fill the bill. I come before you chiefly as a man who made a study of this war long before the war; as a man who made a speaking tour of this country in 1898, and again in 1908, saying what I thought was building in Europe, and I come before you as a man who has spent much of the last three years at the war itself.

I had no idea when I arrived in the United States that it would be possible to gather representatives of so vast a number of your great banks in one convention, and I had no idea that I should ever have the honor of addressing so many men of so much influence and importance in their respective localities.

I had the pleasure to speak here in Atlantic City last week, and I was told that bankers like lots of figures. During the week, as I have read in the newspaper reports the many admirable speeches made here, you have had millions and even billions of dollars talked about, and you had one speech in which the speaker outlined something that we had done in Great Britain in financing the war. I hope you will not think me vainglorious or desirous of saying too much on behalf of my country when I mention that we have scattered over the vast theater of war seven and a half millions of men. Some of them are in Palestine, some of them in Mesopotamia, some of them in Africa, and those that you chiefly hear of are engaged in what is known as the Western front, endeavoring to free Belgium and France. We did have our financial part of the war. The war is costing Great Britain thirty-five millions of dollars a day, and that was so up to the time you came into the war and began to nurse the financial baby, and up to that time we had advanced to the Allies six billions of dollars, and we are making now, as you are, very large advances to the Allies.

There is one subject upon which many of my American friends think I can speak, and that is in respect of the loans made by the United States to the Allies. I have found well educated people who think that these loans cross the Atlantic in some mysterious way. As a matter of fact every cent advanced is spent in an increase of wages in Bridgeport, in Bethlehem and in others of your cities. All the money is here, and much of the money will come back in the form of subscriptions to the Liberty bonds, for I have no doubt that the American workingman will subscribe as liberally as have our workingmen for our national loans. And I may tell you that our last loan exceeded six billions of dollars, and there were five millions of subscribers to it, many of them men working at the forges, in the shops, on the railroad, in the counting houses, on the farms, and even on the ships.

These loans to the Allies, in my opinion, are beneficial quite apart from the fact that they are supporting the war through the navies of France, and Great Britain, and the armies in Belgium and in Russia. We have come to the conclusion that though the evils of war are great the circulation among the workers is very beneficial. Wages were never higher in Great Britain than they are now, and I know from personal investigation that that is so here in the United States. Far be it from me to glorify war. I have seen too much of the horrors of it to ever care to see it again; but we must look at both sides of it, we must realize that if we are to get in subscriptions to these loans the working people

must have their share of the vast amount of capital necessary to the waging of the war.

I came to the United States in a period very much like that which I endured in Great Britain two years ago. We had very little realization of what war meant to democracy. We thought we would be able to conduct our business as usual. There was quite a business slogan, using those very words, “Business as Usual.” Money was plentiful. Workingmen who had hardly ever ridden in an automobile owned them. We did not realize that for the successful conduct of war thrift and saving was absolutely essential. We did not realize that we must conserve every ounce of energy and every available product in order to accomplish the defeat of the enemy. We did not realize that most of the businesses of the ordinary peaceful life can be adapted to the purpose of winning the war and bringing again freedom to the world. In my own profession, which, as Mr. Goebel told you, is largely that of the production of newspapers, we had no idea of thrift. In the beginning of the war in 1914 our newspapers stood very much where your newspapers stand today. I am not revealing any great secret of the profession to which I belong when I say that it is a fantastic belief among the owners of newspapers that the larger the paper the greater its success. People who own newspapers imagine that when a man buys a paper in the morning and counts up the number of pages, if the paper contains more pages than some other fellow's paper why he thinks it is the best paper. That is one of the reasons that leads to the immense waste in the offices of newspapers. Newspapers, if they are to preach economy to the world must show signs of economy. The wasteful consumption of paper means a reduction of power, of raw material, and of labor that could be utilized for the purposes of the war. Personally I believe that the immense saving we have effected in the newspapers in Great Britain has been of as much benefit to the war as the generals themselves. You may take it roughly that every newspaper staff has been reduced one-half by the war. Those engaged in the mechanical departments of the newspapers are eminently fitted to turn out bullets, shells, or rifles. The editorial staffs are admirable in the intelligence department of the war. And the reporters, as I learned today, make excellent scouts (Laughter).

Speaking in favor of the small newspaper, which you will find on the way shortly, I may mention that some seventeen years ago one of the ablest members of our profession—since passed away, Mr. Joseph Pulitzer, of New York—did me the honor to place his establishment, THE NEW YORK WORLD in my care for twenty-four hours. And I turned the occasion into an experiment which I had long desired to try out on somebody's else newspaper: I produced a very small newspaper and it had a very large sale. When I got home, having been made wise by my New York experience, I produced that same small newspaper, which has since had a very great success. You, here in the midst of prosperity, and, to a far less extent, we in Great Britain, have no idea of the thrift and the saving going on in the countries in which the war is. We have no war in Great Britain. There are occasional droppings of bombs near the sea, like here at Atlantic City. But where the war is they do know about thrift and about economy. I took the occasion to bring with me here to-day something that I am sure will be a great sur-

prise to many American people who are so far from the scene of the war that they do not quite realize it. I bring a copy of a leading and a prominent French daily newspaper. It is about one-hundredth part of the size of many of your great newspapers. Here is it complete (Exhibiting). That is what those people have patriotically done in order that they may conserve all the energy used in the production of that newspaper, which was formerly a very large sheet. We know that every Frenchwoman, every Frenchman, has shown an example to the world in self sacrifice, in patience and in thrift. It is quite easy for people like those in Great Britain and in the United States to advise people in their midst. The French have need of no such advice; they have very few laws relating to economy; they have no food tickets as they have in many of the neutral countries today, but they have automatically adopted themselves to the conditions of war.

You may ask me, Are they weary of war? Well, the whole world, where the war is, is weary of it. That does not mean that there is any intention, though, of giving up one single effort to bring the war to a successful conclusion. I know that it is the opinion of many millions of people in the world that this war may suddenly collapse. If you look around you will see that this great earth shake has been planned and designed not only in Europe, but all over the world for years with a completeness that were it put to a better purpose would be wholly admirable. You may have noticed that Argentina is restless; you may have noticed that a word from Berlin can tie up the railroads and the factories and the telegraph lines of that country, and you know that we have had strikes in Great Britain, and that you have had strikes here in the United States; we have had rebellions in the Northwest countries, and in India. The Germans have worked as Mohammedans in Turkey and as Protestants in Holland. Everywhere they have carefully implanted their propaganda and have settled their agents. That is not the work of a few months or even of a few years. It is careful preparation that has been going on for at least twenty-five years, and I for one do not believe that all the forces of civilization are going to be able to extinguish this conflagration for a very long long period. I remember the first time after the war began when I saw the real signs of German preparedness. It was when the Germans were retreating from Paris and left behind them a lot of apparatus and war material. Then it was that one could realize that the Germans had with them machines that must have been in preparation for years for the demolition of houses, for the quick burning of buildings and for the poisoning of wells. They showed the most careful preparation. I myself remember seeing a dead German soldier with a bag around his waist. The bag was opened and found to contain small pieces of celluloid that were used to throw into buildings that were on fire for the purpose of increasing the force of the flames. All these things had been made months before. Indeed, it is well known that on many German bullets there was the date mark of ten years previous.

This war is not our war. It is a series of wars. There was the war between the Austrians and the Germans; there was the war between the Dutch of South Africa, with whom Great Britain was fighting seventeen years ago, but who are fighting for Great Britain today; the war for German Southwest Africa; there is a war for the relief of Belgium; a war for the elimination of the Germans from Poland; a war for the recovery of the lost provinces of Italy. It is a war with a great many motives behind it. Italy's war is her own war—the war of Italy against Austria. Now, the idea that one single defeat of the Germans will stop all these wars, is, in my humble opinion, preposterous.

I think also that those who try to delude themselves into the belief that we have a short war before us exaggerate the physical sufferings of Germany. I have been to the front many times. I have talked with a great many Germany prisoners. Of course, they vary in appearance, but they have sufficient food, and excellent food in Germany. The Austrian soldiers are not nearly so well fed as the Prussians. And we all know that the misfortune in Russia has had two effects. That it has strengthened the enemy in that part of the line and it has served to help to provide the enemy with provisions. I know it is much more pleasant to try and make people happy by telling them that the war will be over by Christmas, or at any rate by Easter. We have had three years of those prophecies in England. Indeed, there were people there who thought the war would be over in six weeks. I remember the report of a distinguished company of business men—I won't say that they occupy so lofty a position as bankers—men who, at the end of their meeting, came to the conclusion that the war would be very short because in these civilized days such a thing as war was impossible. They did not realize that the very utilization of all the inventions of American genius, like the aeroplane, the submarine, the machine gun, would all tend to make war much more difficult and in my opinion, much longer. They thought that by using the means of science and invention the war would be very speedily over; that it would be of so frightful a nature that none of the nations could maintain it for any great period of time. We suffered greatly in Great Britain by this idea of a short war. The belief in a short war was widely spread by pernicious propagandists who told the world that the war would be short in order that the world should not prepare.

They throw out these peace delusions week after week not with any intention of accomplishing peace, but with the intention of weakening the Allies preparation. That is so very obvious that it is surprising that any intelligent persons should take any notice of those peace offerings. If you look carefully at them you will see that they never mean to give back or move back an inch from the ground they have stolen. They never cease their violence. You will notice that even at the moment that one German department is talking about peace, another German department is bringing out a new horrible engine of war. Their government may be a very efficient one from their point of view. From my point of view it is very badly coordinated. I shall believe in the prospect of peace when I find that the Germans have released some of the Belgians whom they have enslaved and some of the French women that they have dragged into captivity and worse. They are doing nothing of the kind. They are following the most ancient device in history: they are talking about peace and making war.

When I think of all the sad things that I have witnessed in the last three years I have this one consolation: That after all, as your chairman said to-day, the war is bringing the Allied peoples together. We have all learned many things about France which we did not know and we are all proud of France. We have seen what a small nation—the six millions of Belgians that are still living under the heel of Prussia—we have seen with what dignity they can stand the presence of the oppressor. We have seen that Italy, goaded for years by Austria, has decided to throw off the chains that have been placed around her enterprise and her freedom for the last ten years. And we have seen here in the United States a peaceful people like your people and our people have been aroused to the fact that it is essential for the world's happiness that the state of tyranny imposed by Prussia shall not be further extended.

I can assure you that we from Great Britain, while

very confident of our power to defend ourselves, most cordially and gladly welcome the help that is coming from the magnificent young men that I see in your training camps. This great assemblage of bankers is further proof that the great burden England has borne in financing the war is to pass into worthy and generous hands, for if the Americans are extravagant—and

I am afraid they are—and have learned thrift, it is equally true that they are a generous people, and already, by the troops they have sent to Europe, and by the ships full of supplies that they have sent, they have shown earnest proof of the fact that they are heart to heart and hand in hand with those who have borne this burden for the last three years.

A Changing World

By DR. NICHOLAS MURRAY BUTLER, President Columbia University, New York.

Mr. President, Ladies and Gentlemen: The honor of standing for a few moments this afternoon before this great and representative company of American men of affairs, is one that I very keenly appreciate and for which I wish at the outset to express my grateful appreciation. You will not expect me, especially after the striking address to which we have just listened, to speak to you on any subject connected with banking, with which I am familiar only as a depositor. You are taking an hour this afternoon from the great and perplexing problems of financial administration and financial policy to set them in the framework provided for us by the stupendous events in the midst of which we live. There is no private undertaking, no private interest, no private gain, no private and personal ambition which can stand for a moment in the face of the melting heat of this appalling crisis. You have been told just now how the most keen-sighted observer over seas appraises the forces that are at work and estimates the likelihood of their continuance. Let me say to you with such force and emphasis as I can command that the free nations of the world have armed themselves for this contest in order to discover and lay the foundations of a new world, and they will not cease their hands until that new world is found and established.

On August 1st, 1914, with a suddenness that appalled even the most experienced, the old world growing for 500 years on European and American soil, went up in smoke and the quest of a new world began. We were a contented, a prosperous and a peace-loving people. This storm cloud broke far across the seas and land and mountains. At first we could not see how it affected us except as pained and grieved spectators of the fighting of old friends, and as we saw the lust of conquest, the cruelty of barbarism, the desperation of despair tear down the fair fabric of reputation that a great European nation had been fifty years in building, we began to see—as France and Great Britain and Belgium and Italy so quickly saw—that this silent powerful glacier coming down from the high mountain tops of despotism and autocracy was trying bit by bit to overwhelm and destroy the fertile valleys in which we live.

We have entered this struggle for the highest principles known to man, and for the most selfish of purposes as well. To save Belgium? Of course. To aid France and Great Britain? To be sure. To restore the provinces of Italy and of France? Yes. To help distracted Russia to come into her own? Yes. To keep South America from the clutches of the Teutons? Yes. But, above all, to keep the Constitution, the laws and the institutions of the United States safe from invasion.

Mr. President, this war differs from every war that the world has ever seen in this respect. All other wars have been contests between governments using armed forces on land and on sea. This is a war between peoples using armed forces, to be sure, but using every resource, agricultural, industrial, economic, financial, moral that the people possess, and you are as truly enlisted

in the ranks of the belligerents of this war as if you wore the khaki and were going over seas. It is the soldier's lot to contest, in one way, with one arm and at great personal risk. It is your lot and mine to contest, in another way, with another arm without personal risk. But each doing our bit to keep this nation solid and united behind the President and the Government of the United States.

We are fighting this war in two places; we are repelling attack upon the American people and American institutions of two kinds. We are fighting it across the sea, and we are fighting it here where evil-minded sedition, conspiracy, cowardice and treason exists. Mr. President, our soldiers can fight a soldier's enemy, but you and I have got to fight sedition and cowardice. Have the American people lost their capacity for corporate indignation? There is a provision in the Constitution of the United States that either house of Congress may by a two-thirds vote expel a member. What, Sir, are they thinking about, those honorable, patriotic men, to sit there and be contaminated by having Robert M. LaFollette breathe the same air with them. (Applause and cheers and cries of "You're right, give it to him.") Have we no courage? Are we so mealy-mouthed that we are afraid to make trouble with an object like that! (Applause and laughter). Believe me, gentlemen, this is no laughing matter. It is the most solemnly serious problem before our people. The other day Charles Edward Russell, a distinguished Socialist, who went by appointment of the President of the United States on the recent Mission to Russia, stated in a public place that the Russian downfall was in no small part due to the reading by those poor ignorant Russian soldiers of this man's speeches in the Senate and on the hustings as evidence that the United States was not united and sincere in this war. Why, you might just as well put poison in the food of every boy that goes to his transport as to permit that man (LaFollette) to talk as he does. I am a native son of New Jersey, which has two patriotic Senators in the Senate, and I call upon them to take heed. I am a citizen of New York which has two patriotic Senators in the Senate, and I call upon them to take up this matter. No single act would go so far to shorten this war as that. Hundreds of millions of dollars and tens of thousands of precious lives are being lost and will be lost because we stand supine.

Mr. President, I feel stirred from the very depths of my heart when I think that there are among our people those in high public place who have been trusted by confiding constituencies who will with their eyes wide open betray the Government of the United States in this war. And do you see the significance of these coolings about peace which come from Berlin—what the New York *Sun* the other day described as "rabid specials." Do you recognize their significance? They are intended to weaken your effort and mine, in the hope that we may stay our hand before the new world of which we are in search has been discovered and organized. Any human

being who asks for peace short of unconditional surrender is asking us to organize for another and still greater war. Peace is not an ideal. Peace is a state attendant upon the accomplishment of an ideal. The ideal is freedom, liberty to satisfy human wants and aspirations. Give us those and peace is secure. But as it takes two persons to make a quarrel, so it takes two persons to make peace. Our Allies cannot make peace alone. There must be a willing consent to durable peace and its conditions by those against whom we are fighting before we can talk about peace above a whisper. That will only come when the supreme confidence of the American people in their arms as an instrument of policy is destroyed by its overwhelming defeat. That is the only road to peace, marked by all the signs of direction and distance that human experience records and teaches, and beyond it lie perhaps the happy fields that we would like to make safe for our children and our children's children.

You have seen a great storm at sea. You have sat upon the deck and have taken note that the barometer has

gone sharply down, the clouds are beginning to gather, that there is a darkening spot on the southeastern horizon, and an ominous black calm over all the waters. Suddenly the storm bursts—the tempest in all its fury rocks the vessel, perhaps to its undoing; it lashes the water into mighty waves; it frightens and astounds every human being in sight of it, and it leaves a once quiet untroubled sea a mass of broken wreckage. Then the water calms again, the sea is safe for the mariner, the barometer rises, the skies clear—the storm is past and new voyages begin.

That, gentlemen, is a symbol of what is going on. At this moment the tempest is raging; a great southeastern gale is blowing, the ship is rocking; men are anxious; the great waves are arising to engulf anything that comes in their path.

Oh, Mr. President, and gentlemen, it is for us to keep stout hearts, firm faith and strong arm, until that glass rises, until that sky clears, until those waters go down, and until we resume under quiet conditions the peaceful voyage which the storm broke in upon.

Why We Must Fight On, In View of German Atrocities

By REV. DR. NEWELL DWIGHT HILLIS, Pastor Plymouth Church, Brooklyn.

Mr. Chairman and gentlemen of the Convention:—

In general there are six classes in American society in a time of crisis like this. There is the soldier, and it is his duty to keep the State in liberty. There is the physician, with his nurse—they keep the people and the soldiers in health. There is the farmer—he feeds the soldier. There is the manufacturer—he clothes and equips the soldier and makes him ready for his battle in order that it may be victorious. There is the publicist who shows his wisdom in the presentation of the facts of this tremendous conflict. Then there is, last of all, the banker, whose business it is to finance all the others and to make money flow through the land, even as our Mississippi flows through the center of our land, bearing on its bosom the ships of war, and that laves the land with its soft flow, that it may become fertile and produce abundant crops.

Your fathers in the time of Alexander Hamilton had a great task financing the Revolution. The only man in many respects in each community, who is a universal man, and who is related to all the professions and occupations, and therefore by way of preeminence set apart in a kind of divine way to help the people fight in a battle like this.

Your fathers fought really five battles, and each with a great foreign land. In 1776 they fought for liberty on the land; in 1812 they fought for liberty and freedom of the sea. In 1846 they fought for the sanctity of frontier lines. In 1861 they fought to extend liberty to the black men, and to safeguard the liberty of the white man by giving it to the black man. In 1898 they fought to remove the arbitrary might from the neck of another nation, small nation, Cuba, Porto Rico, and you are here now to follow up and protect all five of these liberties and to affirm that the great doctrines for which your fathers lived and died cannot perish utterly out of this land.

I passed the other day through the land of England. There are, back of the 7,000,000 soldiers at the front, five men and women toiling to equip one soldier boy at the front. They have carried 8,000,000 men across the channel. They have transported 10,000,000 tons of materials. Every day now England is creating and producing more small shells than in the first entire year of

this war. Every three days she is producing more large shells than in the first year of the war. Every four days she is producing more machine guns than during the first year of the war. Every six days she is producing more large cannon and heavy ordnance than during the first year of the war, and this is but the beginning. Then consider her ships on the high seas. Every week 5,500 incoming or outgoing ships. And they have loaned 600 of their ships to France and 400 of their ships to Italy.

I said to one purser of the ship: "So you went down off the Island of Cyprus in the Mediterranean?" He said, "Yes. I was in the sea some five or six hours, and then some weeks in a hospital."

"And you were torpedoed off Alexandria?" "Yes," he said. And he said, "My assistant went down in the Lusitania."

I said, "Are you going to continue in this way?" And he said, "The Kaiser has said that he will make the water boil around England with explosives. If my steamer goes down I am going on a freighter. If the freighter goes down I'll go on a small Government boat. If that goes down I will find something else to float on; but all of this boiling hell around England shall not interfere with England being fed."

I speak today from the viewpoint of the optimist. Now, a man who has been along the hundreds of miles of front in France said that France is dead; France is not dead, but tired. France is simply tired nervously. The women have black rings under their eyes, they are tired nervously. The children in the street are tired nervously, the horses show the effects of it; that was the condition some time ago, but when America came in it was a great new force, a flood of energy, and it rested them. The difference between the other soldiers and the French soldiers is this: The Frenchman is the best soldier in the world in this great conflict for the reason you will see he is fighting for his native land. I met a captain there and he had raised over 100 men. He explained why his group was so efficient. He said: "I will put my 100 boys against every boy in the world. They all wear the same kind of helmet and trousers and shoes, but when their right legs move you would think it was only one leg moving, and when their left legs move you would think it was only one left leg

moving, but we have captured over 7,500 Germans. At this place some of them had red trousers and some blue trousers and some grey trousers, but when they get to fighting they are fighting for their land, and when they get within ten yards of the German trenches they fix their bayonets and rush the Germans and the Boches crawls out and runs from the bayonet." I said, "My friend, the Frenchman is already dead; he has given himself to his country and to his God and he never expects to go home again."

Now, before I come to a study of those atrocities of the Germans, I want to call attention to the fact that there never were documents more carefully prepared than these, and great care has been issued in getting these facts. The world has been bored to death with the facts of this war. You must remember that when every German army was on the retreat and spent only a few hours in a village they had in retreating from that village left the whole ruins hot and smoking; and the facts I have here are from an investigator, a French lawyer—a judge, a photographer and stenographer, who go out into the ruins and get the data and make the documents while the ashes are still hot. Therefore, they first take photographs of the dead bodies that are found, and let me say we have thousands and thousands of these documents. First they hold an investigation over every dead body. They take the statements of everyone that has suffered anything at the hands of the German soldiers, and they took the statements of 2,000 men, women and children that had suffered anything at the hands of the German officers. I started at Chicago with 32 old men between the ages of 72 and 90 years of age. They presented their testimony and I separated a little brewer in Chicago who would not believe this from some \$30,000 of his money. He said no such cases could be authenticated. Unfortunately, my old friend, Chauncey McCormick, was able to preside over the testimony.

Now, before I go to the analysis of these atrocities I want to say a word about the cause of them. You never have a great effect without an adequate cause. You cannot have an emergency unless there is some real cause back of it, and, therefore, very hurriedly I propose to give you the reasons as I analyze them.

First of all you can find the cause to reside in a lawless ambition. The Kaiser, Nietzsche, Van Bethman-Hollweg, Von Bissing and Plauss think and teach the theory of iron force, the right of big Germany to loot little Belgium or North France, and drill them in the belief that Germany's right is the right of the lion over the lamb, and that no questions will be asked by a just God on the Day of Judgment. This war began in a conference in the Potsdam Palace in 1892. The pamphlet distributed by the Kaiser begins with these words: "The Pan-German Empire: From Hamburg on the North Sea to the Persian Gulf. Our immediate goal: 250,000,000 of people. Our ultimate goal: the Germanization of all the world." The explanation of the Kaiser contains these words: "From childhood I have been under the influence of five men, Alexander, Julius Caesar, Theodor Second, Frederick the Great, Napoleon. Each of these men dreamed a dream of world empire—they failed. I am dreaming a dream of the German World Empire—and my mailed fist shall succeed." He printed one map headed "The Roman Empire," with all the great states captured and their capitals—Athens, Ephesus, Jerusalem, Alexandria, Carthage—reduced to county-seat towns, paying tribute to Rome. But the Kaiser prints side by side with that map another world map, with Berlin the capital; and by 1915 St. Petersburg, Paris and London were to be county-seat towns, subdued provinces of Germany—and Washington and Ottawa were to follow with the word "Germania" stamped on the United States and Canada. That is why the Kaiser told Mr. Gerard: "After this war, I shall not stand any nonsense from the United States." The President heard, but he did

not tremble. The originator of this World War was the Kaiser; Treitschke was its historian; Nietzsche its philosopher; Von Bissing and Von Hindenburg its executives. The murder of Edith Cavell, hundreds of women and children on the Lusitania, the rape of Belgium, the assassination of Northern France, were the outer exhibition in deeds of the inner philosophy of force. Their great master whom they celebrate and never tire of praising—Nietzsche, judges Germany aright. On page 38, in his *Ecce Homo*, Nietzsche says: "Wherever Germany extends her sway, she ruins culture." On page 124 of the same volume he says: "I feel it my duty to tell the Germans that every crime against culture lies on their conscience." By "culture" Nietzsche means painting, sculpture, cathedrals, international laws, the Athenian sweetness, reasonableness and light. Germany's goal should be a super-Hercules or Goliath, with the club. Germany has no gift for culture of the intellect. As to that, there is no other culture beside France.

In 1864 Bismarck called a meeting of the bankers and asked why the German people were not richer; and he told these men plainly that England led Germany in pig iron, steel, cotton, woollens, building ships, and was far and away the leading nation of the world.

They answered that Germany has no iron mines, and there could be no richness nor wealth without manufacturing, and you cannot do much manufacturing until you have the steel and certain other products necessary.

Bismarck replied, "If that is true, we will train Germany into a fine army and Austria has coking coal for our manufactories and France has a great province which will furnish the other things needed. He continued: "Now, if you will stand back of me I will bring in a bill which will turn Germany into a vast army." Two years later he went to war with Austria. They captured that great tract of land which they wanted and got fine coking coal. In 1866 Bismarck said, "Now comes our turn." He said, farming pays 5 per cent return, finance 7 or 8, manufacturing 10 per cent, but war should pay 1,000 per cent; and war should become Germany's chief national interest. War shall become our chief industry, since farming pays 6 per cent and banking 7 or 8 and manufacturing 10 per cent, while war pays 1,000 per cent. They had war with France and you know the result. He brought back with him the title deeds to Alsace and Lorraine. She built the North German Lloyd, she developed great factories and she leaped to the front, and Germany passed first in pig iron in thirty-two years, and became first in steel, and then in the electrical division, and later in all forms of chemical matters; and finally won what she called "Industrial Efficiency." Now, seven or eight years ago Germany awakened up with terror. I suggest that you look into your library, and read up "Germany at Bay by Reason of the Extent of Her Iron Supply." It contended that the iron supply would be exhausted within twenty-five years. There is a minority report which accompanied that report which says that the iron mines of Germany will not last beyond 1915. Germany knew that you could not carry on civilization in these days with an ox cart. This is the era of the Pullman car and Vanadium and other refined steel.

Now, about that time in 1911 there was discovered in Northern France one of the greatest iron beds in the world. One day an author, on pages 224-236 of his book published five years ago, made this prophecy: "I give Germany five years to discover iron mines or to go to war with France and Belgium, for Germany will never consent to be a second or fourth rate nation." This war is an iron war. If France and England recover these iron mines, they will lead up until 1925.

There are some men who say they have never committed these atrocities of which we all hear so much. I am speaking only from information which my eyes have seen, and giving testimony which my ears have

heard. For three years German-Americans have protested that the stories of German atrocities were to be disbelieved as English inventions, Belgium lies and French hypocrisies, but that day has gone by forever. When the representatives of the nations assemble for the final settlement there will be laid before the representatives of Germany affidavits, photographs, with other legal proofs that will make the German atrocities far better established than the scalping of the Sioux Indians on the western frontiers, the murders in the Black Hole of Calcutta, or the crimes of the Spanish Inquisition.

Every American who has passed through France and the edge of Belgium this year has returned home a saddened man. German cruelty and French agony have cut a bloody gash in the heart and there is no Dakin solution that can heal the wound. On a battle line 300 miles in length, in whatsoever village the retreating Germans passed, the following morning accredited men hurried to the scene to make the record against the Day of Judgment. The photographs of dead and mutilated girls, children and old men tell no lies. Jurists rank high two forms of testimony: The testimony of what mature men have seen and heard, and the testimony of children too innocent to invent their statements, but old enough to describe what they saw. For the first time in history the German has reduced savagery to a science. Therefore, this great war for peace must go on until the German cancer is cut clean out of the body.

I am speaking only from information which my eyes have seen and giving you testimony which my ears have heard. About documented evidence I piled nine volumes on my pulpit. And I will give you one as a simple illustration: In one place all the inhabitants were brought out and shot. This shooting was heartbreaking, as they all knelt down and prayed. I will not read all, but back of that statement were a lot of documents and testimony taken before a great jurist.

The cold catalogue of German atrocities now documented and in the government archives of the different nations makes up the most sickening page in history. Days spent upon the records preserved in Southern Belgium, Northern France, or in and about Paris, days spent in the ruined villages of Alsace and Lorraine, leave one nauseated—physically and mentally. It is one long, black series of legally documented atrocities. Every solemn pledge that Germany signed a year and a half before at the Hague Convention, as to safeguarding the Red Cross, hospitals, cathedrals, libraries, women and children, and unarmed citizens, are scoffed at as a "scrap of paper." These atrocities also were committed not in a mood of drunkenness, nor an hour of anger, but were organized by a so-called German efficiency, and perpetrated on a deliberate, cold, precise, scientific policy of German frightfulness. It is not simply that they looted factories, carried away machinery, robbed houses, bombed every farm house and granary, left no plough nor reaper, chopped down every pear tree, and plum tree, with every grape vine, and poisoned all wells! The Germans slaughtered old men and matrons, mutilated captives in ways that can only be spoken of by men in whispers; violated little girls until they were dead; finding a calfskin nailed upon a barn door to be dried, they nailed a babe beside it and wrote beneath the word "Zwei"; they thrust women and children between themselves and soldiers coming up to defend their native land; bombed and looted hospitals, Red Cross buildings; violated the white flag—while the worst atrocities cannot even be named in this mixed audience.

No one understands the German people as well as the Kaiser. Our President, in a spirit of magnanimity, patience, and good will, distinguished between the Kaiser and the Prussian Government, and over against them put the German people. But Germany's Chambers of Commerce, Hamburg's Board of Trade, and certain popular assemblies, would have none of this, and in the fury

of their anger passed resolutions saying: "What our Government is, we are. Their acts are our acts. Their deeds and military plans are our plans." Knowing his people through and through, the Kaiser called his soldiers before him and gave them this charge: "Make yourselves more frightful than the Huns under Attila. See that for a thousand years no enemy mentions the very name of 'Germany' without shuddering." Why do the German people say they feel so terribly because the authors of the world call them "Huns" and "barbarians"? Who named them "Huns"? Their Kaiser. Who christened them "barbarians"? Their Kaiser. Who likened the German soldiers to bloodhounds held upon the leash by the Kaiser's thong, as they strained upon the leash with bloody jaws, longing to tear their French and Belgian prey? With bloody fingers, the Kaiser said, "I baptize thee 'Hun' and 'barbarian.'" Let the Kaiser's words stand: "For a thousand years no man shall speak the word 'Hun' without shuddering."

The German philosopher has dehumanized the German officers and men; later on I shall give a detailed account of the devastated regions of Northern France, but here and now let us confine the observations to the ruined villages and towns of Eastern France.

Here (producing piece of metal) is a reproduction of an iron coin given as to token to each German soldier. At the top is a German portrait of Deity, as the German understands it, and underneath are the words "The good old German God." To encourage the German soldier to cruelty and atrocity against Belgians and French, the Deity holds a weapon in his right hand, and to dull his conscience and to steel his heart to murder, the token holds these words: "Smite your enemy dead; the Day of Judgment will not ask you for your reason." To this native characteristic Goethe was referring when he said: "The Prussian is naturally cruel; civilization will intensify that cruelty and make him a savage." The German atrocities of the last three years simply illustrate those words, for we must confess that German efficiency reached its highest point in the discovery of new and horrible devices for torturing old men, helpless women and little children.

Here and now I would like to confine our observations to the ruined villages and towns of Eastern France. Pulling his iron token out of his pocket, the token exhibiting Deity as a destroying soldier, the German officer and private reads the words beneath, "Smite your enemy dead. The Day of Judgment will not ask you for your reason." Having, therefore, full liberty to loot, these Germans became the wild beasts. The plan had been "Brussels in one week; Paris in two weeks; London in two months," and then two pockets filled with rings, bracelets and watches, from Paris or Nancy, for the sweethearts at home. When the German army in Lorraine was defeated by one-half its number, it fell northward, passing through French towns and villages where there were no Frenchmen, no guns, and where no shots were fired. During July and August we went slowly from one ruined town to another, talking with the women and the children, comparing the photographs and the full official records made at the time with the statements of the poor, wretched survivors, who lived in cellars where once there had been beautiful houses, orchards, vineyards—but now was only desolation. In Gerbevillier, standing beside their graves, I studied the photograph of the bodies of fifteen old men whom the Germans lined up and shot because there were no young soldiers to kill; heard the detailed story of a woman whose son was first hung to a pear tree in the garden, and when the officer and soldier had left him and were busy setting fire to the next house she cut the rope, revived the strangled youth, only to find that the soldiers had returned, and while the officer held her hands behind her back, his assistant poured petrol on the son's head and clothes, set fire to him, and while he staggered

about, a flaming torch, they shrieked with laughter. When they had burned all the houses and retreated, the next morning, the prefect of Lorraine reached that Gethsemane and photographed the bodies of thirty aged men lying as they fell, the bodies of women stripped and at last slain. In the next village stood the ruined square belfry into which the Germans had lifted machine guns, then forced every woman and child—275 in number—into the little church, and notified the French soldiers that if they fired upon the machine guns they would kill their own women and children. After several days' hunger and thirst, at midnight, these brave women slipped a little boy through the church window, and bade their husbands fire upon the Germans in the belfry, saying they preferred death to the indignities they were suffering. And so these Frenchmen turned their guns, and in blowing that machine gun out of the belfry killed twenty of their own wives and children. In a hundred years of history, where shall you find a record of any other race, who call themselves civilized, who are such sneaking cowards that they could not fight like men or play the game fairly, but in their chattering terror put women and little children before them as a shield? Proof overwhelming. Here are, in brief, the records of more than a thousand individual atrocities, that go with the original photographs, affidavits and documents resting in the archives of France against the day of reckoning. What is more important still, here are the letters taken from the bodies of dead German soldiers with their diaries. Take these pages found in the diaries of German soldiers. August 22nd, note book of Private Max Thomas: "Our soldiers are so excited we are like wild beasts. Today destroyed eight houses, with their inmates. Bayonnetted two men and their wives and a girl of eighteen. The little one almost unnerved me, so innocent was her expression." Diary of Eitel Anders: "In Vendre all the inhabitants without exception were brought out and shot. This shooting was heartbreaking, as they all knelt down and prayed. It is real sport, yet it was really terrible to watch." At "Haecht I saw the dead body of a young girl nailed to the outside door of a cottage by her hands. She was about fourteen or sixteen years old." Page 21. Affidavits H-67.

In retreating from Malines, eight drunken soldiers were marching through the street. A little child of two years came out and a soldier skewered the child on his bayonet and carried it away while his comrades sang. D. 10. 45.

Withdrawing from Hofstade, in addition to other atrocities the Germans cut off both hands of a boy of sixteen. At the inquest affidavits were taken from twenty-five witnesses, who saw the boy before he died or just afterwards.

Passing through Haecht, in addition to the young women whom they violated and killed, affidavits were taken and the photographs of a child three years old nailed to a door by its hands and feet. Affidavits D 100-S.

That all these atrocities were carefully planned in advance for terrorizing the people is proven by the fact that on the morning of August 25th the officers who had received great kindness from Madame Roomans, a notary's wife, warned her to make her escape immediately, as the looting and killing of all the citizens, men, women and children, was about to begin.

These records could be multiplied by thousands. Upon the retreat from one city alone, inquests were held upon the bodies of over six hundred victims, including very aged men and women, and babes unborn, removed by the bayonet from their mothers. It is the logical result of the charge of the Kaiser to his army. "Give no quarter and take no prisoners. Let all who fall into your hands be at your mercy." The General Staff of the German army published a manual several years before they began this war. They explicitly charged their soldiers to break the will of the enemy by cruelty. Wit-

ness this page from the War Manual on page 52. "A war is conducted with energy merely against the combatants of the enemy states and the positions they occupy, but it will and must in like manner seek to destroy the total intellectual and material resources of the latter."

Gentlemen, no man could go through that land without understanding perfectly that the battle of Vimy Ridge is the Gettysberg of this war and that Appomattox is not far off. Very few realize the real superiority of the British and of the French troops, and for purposes of comparison I will use an illustration that will in one-half a minute describe. Some of you have been at a race between horses and you have seen the fine track, one-mile track, possibly at the County Fair.

The track is brushed until the top is as level as a board, and one horse goes around on that track and makes a mile in 1 minute and 50 seconds—I believe that is the rate of speed—is there any clergyman at hand who can corroborate it? And then there is a second horse. That other horse is jumping and running side by side, and he is going into all sorts of obstacles one at twenty rods and wooden spikes every eight rods, and barbed wire at every five rods, and trench holes and shell holes every two rods, and yet that second horse jumps to the trenches and covers or gets over all the streams and six times out of seven comes in ahead of the other horse. In considering conditions over there, remember that Germany is out in the open territory as far as the bridges, open canals and rivers are concerned, and has the houses and the barns and granaries that belong to the people and an absolutely free field to move back of the lines, and that the British and the French and American troops haven't that. They have to go over this desolated country in which the enemy retreats. But I have seen 50,000 of our American boys train and, like our American navy over there, ready any day to get into this. And back of those lines, back of these great trenches, you will find that the bridges for the Americans and the French and the British have all been blown up, buildings dynamited, canals and rivers filled in or damaged in some way, and large shell pit holes; and there are no barns or granaries for them, and absolutely everything is beaten.

Finally we will come to the last battle. The last phase of this battle will be bitter beyond compare. You must remember the case of Athens and Macedonia. They went with solid spear point and pounded their way through. One day Demosthenes said, "Here is a military sphere, and we must get rid of it"; then they destroyed the first buffer state and then the second. Now then you have a great buffer here, two buffer states. England, France and Germany did not have this. You would have the German navy coming through the Kiel Canal if it were not for the British navy and they would come off New York here, and you bankers would go into the hands of a receiver fifteen minutes after they landed. Then on the coins, on one side of which we have "In God we trust," we should also put on the other side, "And in the English navy."

I wonder that Chicago, Philadelphia, Boston and New York should allow these loud-mouthed men to stand on their street corners and vilify Great Britain, which has been our saviour.

Gentlemen, any man who allows another man to vilify his wife or his partner, or would let such a man reach the point where he was vilifying one, a third party, with whom you had entered into an honorable alliance, when we allow men on our street corners to vilify our allies, that is nothing but standing side by side with our enemies, giving comfort to them. I say that these men who stand out on the street corners vilifying Great Britain should be hung for treason.

One last word: Our great need now is for a strong arm, clarity of intellect, with great love for liberty in our hearts, great vigor in our arms; and for every Ameri-

can woman to say what the French girl said in my presence, "I give him unto God because he is only my husband, and I am only his wife; I give him to France because France is his mother"; give your boy equally to this nation, because this republic is the mother of your boy; and he must go with open eyes so that he can stand clearly with out forefathers.

The other day I got a letter from a distinguished surgeon abroad. For nearly two or three years he has been at a hospital in France. He sent me a cablegram and I replied to his message. Last January he sent me a letter, at midnight, after the close of a terrible day. He said, "I have now seen all there is of this war; this war is of God." He then went on to tell of how he had slept on a stone for three months, and before that he had been in a tent, but he added he had never been so happy.

I have seen Belgium, a lamb torn by the wolf, and I

am on the side of the lamb. I know the explanation the wolf has already offered. It does not interest me. I wish for your mental and spiritual good you were right here on this western front; this battle will be decided here, as all the wars of the last 200 years have been decided. This war has been decided already, but it will take the enemy a few months to find it out. I know why it is he feels this war is very good. I will tell you the reason: You can have no purple wine until you crush your grapes; you can have no clean, white linen until the flax has been beaten, and no liberty until you have made sacrifices. Jesus is crucified and you have the salvation of the world. Abraham Lincoln is assassinated, and that made for the freedom of the slaves, and the liberty of this nation; and please God we will have victory; and please God, soon or late, it will be decided that government of the people by the people and for the people shall not perish from the face of the earth.

Committee and Officers' Reports—Banking Section

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

NEW YORK CITY, September 1, 1917.

To the American Bankers' Association:

GENTLEMEN: I respectfully submit my report as General Secretary of the American Bankers' Association, covering the fiscal year from September 1, 1916, to August 31, 1917.

Your attention is specially directed to the reports submitted by the officers of the Association, the Sections, Commissions, Committees and Departments (as published in this pamphlet or presented during the sessions of this convention) for details as to the various activities of the Association.

I shall deal briefly with these items, while endeavoring to report fully on the matters pertaining more directly to my administration of the affairs of the Association, including its finances, during this, my tenth year, as General Secretary of the Association.

EXECUTIVE COUNCIL

It is gratifying to note the steady increase in membership, and it is the more clearly demonstrated year by year that the highest efficiency in administration of the business of the Association can only be had through its Executive Council.

The spring meeting of the Executive Council was held at Briarcliff Lodge, Briarcliff Manor, N. Y., on May 7, 8 and 9, 1917, with the largest attendance in our history—there being eighty-seven members present and only nine absentees, whose absence was unavoidable. Serious consideration was given to the affairs of the Association, there was a free expression of opinion and throughout the sessions harmony prevailed.

The new Council, which will meet for organization after the adjournment of this convention, will comprise twenty-seven members in the one-year class, thirty in the two-year class, thirty-five in the three-year class, and sixteen ex-officio members, a grand total of 108. This is twelve more than last year. Eight states have added nine additional members to the Council by securing the necessary increase in membership, viz., Iowa, two; Michigan, one; Missouri, one; Montana, one; Nebraska, one; Ohio, one; Utah, one, and Wyoming, one.

The various Sections have developed great activity in matters of special interest to their bank members and the year marks the highest record of accomplishments in all directions. Willing co-operation between Sections and Association officials has brought about this splendid record.

The Trust Company Section has given consideration to many important problems with excellent results. On Monday evening, February 26, 1917, occurred the seventh annual banquet of the Trust Companies of the United States at the Waldorf-Astoria Hotel, New York City. The affair was largely attended and unusually successful, doubtless due, in part, to the international touch given the function through the introduction of Sir Edmund Walker, head of the Canadian Bank of Commerce, as the guest of honor.

The Savings Bank Section has continued its activity in the interests of thrift, and special attention has been given to the installation of savings banks within the schools. Special study has also been given to the relation between railroad securities and savings bank investments.

The Clearing House Section has conducted a campaign for membership with splendid results, twenty-five new members having been added during the year. Seven new clearing houses have been organized. It has recommended the adoption of a clearing house symbol, which has met with general approval and adoption. The discussions to occur during convention week, participated in by clearing house examiners and managers, will mark an important epoch in the history of the Section.

The American Institute of Banking Section canceled its regularly scheduled convention in Denver, holding only a one-day session in Chicago on Wednesday, September 12, 1917. The demands of war having seriously handicapped many banking institutions, this patriotic action of the Institute boys in curtailing their convention is highly commended. The year marks a steady increase in members through the various chapters, and the Section is in better position than ever before to render the service to be expected of it.

The State Secretaries Section, through its membership of secretaries of bankers' associations in the various states, has again rendered valuable service through hearty co-operation with the parent Association, and no small share of our increased membership is due to their activities.

The ten years' record of the State Secretaries Section shows increasing activity and more complete organization on the part of the state associations, that far excels in the various ramifications of secretarial work the condition existing ten years ago. At that time there were forty-four state associations and now there are forty-nine, and all of them live and progressive organizations. It is with pardonable pride that I refer to this most excellent aggregation for the reason that ten years ago I was Secretary of the State Secretaries Section and Secretary of the Michigan Bankers' Association.

The National Bank Section, organized at the Seattle convention, now has a membership of over 6,000 banks, and this year of its history has been marked with the formation of many committees which have given serious study to many important matters of peculiar interest to its members.

The State Bank Section, which came into existence during our Kansas City convention, has experienced a healthy growth and promises well for the future.

My hearty appreciation and thanks to Secretaries Mershon, Harrison, Thralls and Philpott; to Presidents McWilliam and Rankin; and to Educational Director Allen, who is also Secretary of the State Bank Section, for their co-operation in various matters throughout the

year, and my congratulations are extended upon their various and individual successes.

JOURNAL-BULLETIN

Over 40,000 copies of the JOURNAL are now issued monthly, an increase of some 6,000 over a year ago and of 10,000 since 1915. The daily and financial press continue making use of matter from the JOURNAL, and its Editor and the Association deserve congratulations on its marked success. Notwithstanding the increase in subscription price (due to conditions brought about by reason of the war) many subscriptions from other than member banks continue to come in, all of which is most gratifying. Many letters of commendation and but few in protest of the JOURNAL have been received; but I am sorry to have to report evidences that many of our members do not get the benefits from this publication that they would by a careful perusal of its columns each month.

LEGAL DEPARTMENT

Greater demands than ever have been made upon this important department of our Association's activity during the past year, and General Counsel Paton has proved equal to the task of supplying legal information to our members and of acting in an advisory capacity as well as attending many meetings of various committees of the Association. His report, soon to be submitted, should receive your undivided attention.

STATE ASSOCIATIONS

There are now forty-nine bankers' associations, one for every state in the Union and the District of Columbia, and it is expected that before another convention occurs there will be an association in Alaska as well. The year has been one of special activity in some of the state associations, but all show a healthy growth and an ever increasing interest in the problems of mutual interest as well as of those of local purpose only. The Board of Control of the State Secretaries Section were in attendance at the last spring meeting of the Executive Council, and it is expected that much good will come through this added opportunity for the exchange of ideas.

It has been a pleasure for your General Secretary to attend many conferences, conventions, group banquets, institute dinners, etc., and the Association has also been represented at similar gatherings by various Association officials and department heads. Through this means an ever increasing number of our members are reached each year.

DEPARTMENT OF PUBLIC RELATIONS

Through the JOURNAL columns, as well as by other means and methods, Manager Welton has given publicity to various matters of interest by our members. Further changes and improvements have been effected in the JOURNAL, and its welfare is carefully studied by its Editor. To Associate Editor Lewis is due no small amount of credit for his work in the publication of our monthly magazine.

DEPARTMENT OF CONTRACTS AND PURCHASING

A creation of necessity, the securing of proper prices and contracts, in this war time period, is no small task, and Manager Lewis has demonstrated the wisdom of his selection as its head as well as of the establishment of the department.

COMMITTEES

Various committees must, to a greater extent than ever before, be relied upon to perform important duties in an organization so large as ours has grown to be.

The Administrative Committee has met on several occasions since our last annual convention, holding in some instances two-day sessions, and most careful consideration has been given to the various Association matters brought before it.

The Insurance Committee has not been idle and its labors have resulted in improved forms of policies as well as in the reduction in insurance rates. It is gratifying to note the steadily increasing interest of our members in matters of insurance, and Secretary Ruffin has proved a capable and worthy correspondent. It is to be hoped that many more of our members will consult him before another year runs to its close.

The Committee on State Legislation (formerly known as the Committee on Law) has, through the state associations of various states, urged various laws recommended by our Association and with marked success.

The Committee on Federal Legislation has worked with good effect during the year on various problems of Federal legislation. It has also acted in an advisory capacity as well as in conjunction with the Committee of Twenty-five in its campaign for relief in certain phases of the Federal Reserve Act. General Counsel Paton has rendered a valuable service in connection with the work of the three committees mentioned above.

The Finance Committee, with its Sub-Committees, have carefully scrutinized the expenditures and finances of the Association and has given careful analysis to the various reports, statements, etc., submitted at spring meeting and convention time.

The Committee of Twenty-five has waged a strong campaign for various changes in the Federal Reserve Act, and that it has not been successful in every point certainly is not the fault of its members, Chairman Adams and Secretary Thralls, who have been untiring in their efforts to win out.

The Committee on Membership, Library Committee, as well as the special committees of the Association and Council have been in close touch with the various efforts of the Association during the past year, and the important work performed by them, will be given in detail in their several reports.

CURRENCY COMMISSION

This important Commission awaits the call of duty, although no demands have been made upon it during the year.

AGRICULTURAL COMMISSION

With ever extending ramifications to state associations, county and local agricultural committees, this Commission has succeeded in establishing county agents in many new places and the movement promises to be nation-wide. The problem of food supply, so strongly emphasized by the war, has been given serious study, and through the medium of its publication—*THE BANKER-FARMER*—and otherwise, a live interest was created and excellent results accomplished. The problems of better roads, better schools, diversification of crops, etc., have not been neglected, and Chairman Hirsch deserves the hearty congratulations and thanks of our Association for what has been accomplished through his Commission.

PROTECTIVE COMMITTEE

Matters relating to the Protective Department have received careful analysis and attention at the hands of this important, though (for obvious reasons) secret committee. And, while they cannot individually receive the thanks of our members, the Association is nevertheless appreciative of their labors.

The year's work will be shown by the report of the Protective Committee, made to the Executive Council, and the report of Manager Gammon of the Protective Department. These reports, with the printed full report of the William J. Burns International Detective Agency, Inc., which is available to all Association members, should receive a careful reading by our members and comprise the complete history of the year's activities and accomplishments.

More letters of commendation of this department than ever before have been received, and I am glad to say also that fewer communications have come in registering complaints. The latter are written almost invariably through improper understanding of the department's rules and the facts involved. Members should keep in mind that all cases which come within the rules of the Protective Department will be handled without cost to the member concerned; our Association will prosecute amateur and professional alike, and cases should be reported to the nearest Burns Agency for prompt attention. It is not necessary to advise the General Offices before a case will be taken up, all statements to the contrary notwithstanding. Manager Gammon has again shown his ability to handle this important field of Association work and his department has proved itself most efficient.

I want to commend the most excellent work of the William J. Burns International Detective Agency, Inc. The weekly reports which are submitted to and read by your General Secretary show that during the past year the Agency has perfected its arrangements and is accomplishing better results through added experience and facilities than has been shown by past records, although past records have indicated a yearly improvement and the best of service.

LIBRARY

Through the purchase of the Del Mar Library, by authorization of the Executive Council, the Association has added to its Library a collection of unusual interest and value, consisting of several hundred books and thousands of pamphlets, manuscripts, clippings and extensive notes on financial matters, the latter made by Col. Del Mar in the libraries of Europe. An index of some 15,000 cards accompanies the collection and offers ready access to the valuable material assembled. This collection, known as the Alexander Del Mar Collection of the Library of the American Bankers' Association, is properly housed in the space formerly occupied by the New York State Bankers' Association, on the same floor as the General Offices of the Association at 5 Nassau Street, New York City. Through the generosity of Col. Del Mar, the Association has also been presented with a collection of coins and paper money of no mean interest, which will also be displayed to the same rooms as the library collection. To the Library proper, numerous books, pamphlets, magazines and clippings on matters of banking and finance have been added during the year. On the recommendation of the Library Committee and approval of the Executive Council, the loan feature of the Library has been suspended. The resignation of Miss Glenn as Librarian having been accepted last June, the work of the Library is being handled by an able corps of assistants.

GENERAL WAR LOAN COMMITTEE

At the Briarcliff spring meeting, the Executive Council authorized active participation in the first Liberty Loan of 1917 by the Association and President Goebel named a General War Loan Committee, located in the General Offices in New York, to direct this work. Ex-President Lewis E. Pierson was made Chairman; Fred I. Kent of the Bankers' Trust Company, Vice-Chairman; General Secretary Farnsworth, Vice-Chairman and Secretary; General Counsel Paton; Assistant Secretary Fitzwilson, Assistant Secretary; Section Secretaries Mershon, Harrison, Thralls and Allen and Messrs. Welton and Lewis, Editor and Associate Editor, respectively, of the *JOURNAL*, were of the Committee.

Messrs. Gilbert B. Bogart and R. F. Ayers, men experienced in bond sales, advertising and publicity, volunteered their services to our Committee and were accepted. The individual work of the various members proved the value of their appointment to this important Committee—time became an unknown element—State Chairmen and Committees and Sub-Committees were named and communications and printed matter were mailed and mailed again to member and non-member banks alike throughout the country—about 30,000 addressed envelopes being necessary to care for each mailing. I bespeak your undivided attention to the report of the General War Loan Committee which will be presented by Chairman Pierson. The

appreciation and thanks of the Association is due to this Committee, regular and volunteer members alike, for their untiring efforts for the success of the first Liberty Loan of 1917. It should be a matter of satisfaction to our Association to know that through the efforts of its members valued service was rendered in making this first Liberty Loan flotation so wonderful a success and that individually and collectively we had a share in that success.

BANKS AT WAR CAMPS

From some of our members, with experience in the matter, requests were received suggesting the establishment of banks within the various army cantonments, thus to provide ready banking facilities for our soldier boys. The proposition was referred to President Goebel and on his direction letters were written to our member banks in the town or city adjacent to the cantonments, suggesting the formation of a bank at its camp. Thirty-two cantonments were on our list and letters were sent to 212 banks. The response was, as expected, both prompt and patriotic, and all expressed a willingness to do their bit for the "boys." Unfortunately this movement has not been successful, because the Secretary of War ruled against the establishment of any banking facilities at any camp. This decision is to be regretted, for it does seem important that the "boys" should have easy means of depositing their savings, the transmittal of funds to those "at home," etc.

GENERAL OFFICE CABINET

On the suggestion of the Administrative Committee the officers and heads of departments in the General Offices have organized and hold monthly and bi-monthly meetings. Full discussion ensues at these meetings and various matters of Association business are handled in a most able manner as a result.

OFFICE IMPROVEMENTS

Our General Offices now occupy the entire twelfth floor of the Hanover National Bank Building at 5 Nassau Street, as we have acquired during the year the two rooms formerly occupied by the New York State Bankers' Association. Some 700 running feet of shelf space has been added during the year for the accommodation of Library and Protective Department records. A small but necessary amount of new furniture, typewriters, etc., has been purchased.

FINANCES

The Treasurer's report shows a cash balance on hand of \$3,098.58. In 1916 the balance was \$32,264.22. This reduction in balance is due to the expenditure of about \$20,000 in the first Liberty Loan campaign and the purchase of the Del Mar Library, \$5,000 (both expenditures under authority of the Executive Council). Then, too, there are the natural increases in expenditures incident to increased Association activities.

ROUTINE WORK

During the fiscal year just ended we sent out from the General Offices more than two million 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	13,737
Circular letters, etc.....	93,628
First-class mail other than letters, such as typewritten lists, etc.....	2,628
	<u>109,993</u>

SECOND, THIRD AND FOURTH CLASS MAIL MATTER

<i>JOURNAL-BULLETIN</i> , including those of A. I. B.....	486,342
Codes	1,625
Signs	1,759
Lists of members.....	18,525
Packages	1,096
	<u>509,347</u>
Total A. B. A. mail matter.....	619,340

WAR LOAN COMMITTEES

Total second, third and fourth class mail matter.....	245,875
Total first class mail matter.....	40,238
	<u>*286,113</u>

* Represents pieces of mail matter, not printed matter. Many envelopes contained from three to eight enclosures, totalling about 1,500,000 pieces of printed matter actually sent out.

SECTIONS AND DEPARTMENTS

Total first class mail matter.....	84,781
Total second, third and fourth class mail matter.....	59,573
	<u>144,354</u>
Total mail matter.....	1,049,807
Express packages	15,991
Grand total	<u>1,065,798</u>

MEMBERSHIP

When our books were balanced on August 31, 1917, our Association membership was 17,328. One year ago we had enrolled 16,016 members. At our last Briarcliff spring meeting I expressed the desire for 17,000 members by the end of the fiscal year. The response by state associations and state vice-presidents and various other agencies was effective and our enrollment of 17,328 on August 31 last shows a net gain over the previous year of 1,312—the record increase in membership.

ship for any one year since our organization. This result is peculiarly gratifying to me, at the close of this tenth year of my administration as your General Secretary; and I am sure the members are pleased as well.

In the increase in membership in our Association, by states, Iowa comes first with 227 new members, a total of 905; Missouri is second with ninety-eight new members, a total of 708; Ohio stands third with eighty-seven new members, a total of 708; Kansas is fourth with seventy-nine new members, a total of 820; Nebraska follows with sixty-six new members, a total of 559; then comes Montana with sixty-six, a total of 308; Illinois with fifty-eight, a total of 1,039; Minnesota with fifty-seven, a total of 571; Texas with fifty-six, a total of 623; New York with forty-seven, a total of 1,066; Oklahoma with forty-one, a total of 571, and Michigan thirty new members, with a total of 508.

As last year, New York stands first in its membership in our Association with 1,066, Illinois is second with 1,039, Pennsylvania third with 974, then follows Iowa with 905, Kansas with 820, Missouri and Ohio each with 708, California with 659 and Texas with 623.

The District of Columbia enjoys the distinction of having every bank a member of our Association; Nevada has only one bank not an A. B. A. member; Arizona only two non-members and Alaska but three non-members; Delaware and Rhode Island must supply eight and eleven, respectively, to come within the full-membership column.

The increase in Association membership, through the efforts of various Sections and officials of the Association, by applications known to have been received through their labors for the fiscal year ending August 31, 1917, is as follows:

National Bank Section.....	121
State of Iowa, with the co-operation of Messrs. H. A. Miller, A. C. Smith, L. E. Stevens, Secretary Frank Warner and others within said state, the General Offices and Sections of the American Bankers' Association.....	116
H. C. Schultz, State Vice-President for Iowa.....	111
State Bank Section.....	81
E. S. Hawes, member Administrative Committee, Missouri.....	29
S. B. Rankin, Secretary Ohio Bankers' Association.....	25
W. S. Guthrie, member Executive Council, Oklahoma.....	22
Savings Bank Section.....	21
Harry Yeager, member Executive Council, Montana.....	21
Trust Company Section.....	16
C. E. Farnsworth, member Executive Council, Ohio.....	16
Edward Nelly, member Executive Council, West Virginia.....	16

Many of our Executive Council members, State Vice-Presidents, State Association Secretaries and members have rendered valued assistance in securing our increased membership this past year, and the thanks of our Association are due them one and all for this evidence of their loyalty. At the recent Iowa convention, a special effort was made to increase its A. B. A. membership, (President Goebel and Ex-President Arthur Reynolds urging the banks of Iowa to join our Association), and to our State Vice-President for Iowa, Mr. H. C. Schultz, belongs the credit for the greatest individual accomplishment in this membership campaign for the year.

August 31, 1916.....	16,016
*Erased from the rolls through failure, liquidation, consolidation and withdrawal December 1, 1916.....	876

Membership.....	15,140
August 31, 1917, new members joined during the year.....	1,620
*Regained members (secured from the above).....	568
August 31, 1917, membership.....	17,328

A net increase for the fiscal year of.....	1,312
A net loss for the year in failures, consolidations, etc.....	137
A net loss for the year in delinquents.....	171
August 31, 1917, membership.....	17,328

Making the actual gain in new members..... 1,620

It will be observed that the list of delinquents is exceedingly small, considering our large membership. The delinquents for the year of 1915-1916 were 198, with a membership at the beginning of the year of 15,010. The delinquents for the present year of 1916-1917 are 171, with a membership at the beginning of the year of 16,016—slightly over a thousand more members and twenty-seven fewer delinquent members. In proportion to the size of our membership, this is the smallest list of delinquents in the history of our Association and speaks well for the loyalty of our members.

Gratifying results are also shown in the usual list of losses in membership by failures, consolidations and liquidations. For 1915-1916 the loss was 218; for the years 1916-1917, the loss was 137. The total net losses as shown in the reports for delinquents, failures, consolidations and liquidations were 416 for the year 1915-1916 and 308 in the year 1916-1917.

The aggregate resources of our membership is estimated at twenty-five billion dollars.

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

	Paid Membership	Annual Dues
September 1, 1875.....	1600	\$11,606.00
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.....	9893	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.....	15910	245,651.00
August 31, 1916.....	16016	264,529.17
August 31, 1917.....	17328 (estimated)	303,198.88

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, 1918.....	303,198.88
Making Total Income, year ending August 31, 1918.....	\$310,728.88

MEMBERSHIP BY YEARS

YEAR	MEMBERSHIP	Gross Loss by Failures, Merger, Delinquents, etc.	Net Loss by Failures, Merger, Delinquents, etc.	Gross Gain	Net Gain
1897	2,813	371	.....	982	611
1898	3,424	248	.....	783	535
1899	3,915	211	.....	741	530
1900	4,500	234	.....	819	585
1901	5,504	200	.....	1,313	1,113
1902	6,354	186	.....	1,159	973
1903	7,065	313	.....	1,139	826
1904	7,563	500	.....	1,120	620
1905	7,677	1,038	.....	1,152	114
1906	8,383	337	.....	1,043	706
1907	9,251	434	.....	1,302	868
1908	9,803	691	.....	1,243	552
1909	10,682	760	374	1,639	879
1910	11,405	781	298	1,504	723
1911	12,072	1,304	405	1,971	687
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	1,889	1,006
1917	17,328	876	308	2,188	1,312

MEMBERSHIP OF STATES AND TERRITORIES HAVING LESS THAN 100 MEMBERS

(As of August 31, 1917)	
Arizona.....	86
Delaware.....	44
Nevada.....	32
New Hampshire.....	72
New Mexico.....	89
Rhode Island.....	48
Vermont.....	78
Alaska.....	17
Canal Zone.....	1
Hawaii.....	18
Philippine Islands.....	4
Porto Rico.....	12
Canada.....	53
Costa Rica.....	2
Cuba.....	22
Isle of Pines.....	1
Mexico.....	15
Panama.....	4
Santo Domingo.....	5
Venezuela.....	4
Total.....	607

MEMBERSHIP

DIVISION OF BANKS IN ASSOCIATION, AUGUST 31, 1917

STATE OR TERRITORY	Nat'l	State	Private	Trust Co's	Sav. Bks.	State Sec'y	A. I. B. Chaps.	Total
Alabama.....	63	77	2	20	6	1	1	170
Arizona.....	13	52	0	19	1	1	0	86
Arkansas.....	53	178	2	28	2	1	1	265
California.....	215	309	6	36	88	1	4	659
Colorado.....	112	115	7	16	9	1	1	261
Connecticut.....	69	8	7	45	50	1	1	181
Delaware.....	23	4	1	13	2	1	0	44
Dist. of Columbia.....	14	3	3	3	17	1	1	42
Florida.....	50	131	4	13	4	1	0	203
Georgia.....	84	244	7	18	12	1	1	367
Idaho.....	52	93	2	9	2	1	0	159
Illinois.....	349	343	217	85	43	1	1	1,039
Indiana.....	158	155	41	63	3	1	0	421
Iowa.....	252	237	53	43	319	1	0	905
Kansas.....	200	601	2	7	9	1	0	820
Kentucky.....	77	75	1	23	5	1	1	183
Louisiana.....	35	124	1	23	5	1	1	199
Maine.....	59	0	0	38	21	1	0	119
Maryland.....	82	44	23	19	30	1	1	200
Massachusetts.....	159	2	26	75	116	1	1	380
Michigan.....	90	184	45	12	175	1	1	508
Minnesota.....	201	347	8	6	6	1	2	571
Mississippi.....	33	146	1	14	2	1	0	197
Missouri.....	113	481	22	57	32	1	2	703
Montana.....	82	192	20	13	0	1	0	308
Nebraska.....	186	358	4	7	3	1	0	559
Nevada.....	11	19	0	1	0	1	0	32
New Hampshire.....	48	2	0	7	14	1	0	72
New Jersey.....	185	27	4	101	18	1	0	336
New Mexico.....	39	36	1	9	3	1	0	89
New York.....	434	277	144	106	97	1	7	1,066
North Carolina.....	65	104	1	36	7	1	0	214
North Dakota.....	117	232	0	4	4	1	0	358
Ohio.....	269	180	62	61	132	1	3	708
Oklahoma.....	255	304	0	10	1	1	0	571
Oregon.....	77	94	10	12	7	1	1	262
Pennsylvania.....	587	104	52	194	33	1	3	974
Rhode Island.....	17	1	1	19	8	1	1	48
South Carolina.....	39	128	1	10	18	1	1	198
South Dakota.....	90	213	3	9	10	1	0	326
Tennessee.....	79	114	1	50	10	1	1	256
Texas.....	343	189	29	57	1	1	3	623
Utah.....	23	53	4	7	11	1	1	105
Vermont.....	41	0	0	23	13	1	0	78

MEMBERSHIP—Continued
DIVISION OF BANKS IN ASSOCIATION, AUGUST 31, 1917

STATE OR TERRITORY	Nat'l	State	Private	Trust Co's	Sav. Bks.	State Sec'y	A. I. B. Chaps.	Total
Virginia	105	136	12	18	9	1	1	282
Washington	71	213	17	20	9	1	2	333
West Virginia	88	114	2	21	4	1	1	231
Wisconsin	123	264	2	11	21	1	1	423
Wyoming	32	60	1	6	0	1	0	100
Alaska	3	13	1	0	0	0	0	17
Canal Zone	1	0	0	0	0	0	0	1
Hawaii	4	7	2	5	0	0	0	18
Philippine Islands	1	3	0	0	0	0	0	4
Porto Rico	0	10	2	0	0	0	0	12
Canada	0	52	0	1	0	0	0	53
Costa Rica	0	2	0	0	0	0	0	2
Cuba	1	18	2	1	0	0	0	22
Isle of Pines	1	0	0	0	0	0	0	1
Mexico	0	9	5	1	0	0	0	15
Panama	1	2	0	1	0	0	0	4
Santo Domingo	5	0	0	0	0	0	0	5
Venezuela	0	4	0	0	0	0	0	4
	5,979	7,492	864	1,506	1,392	49	46	17,328

APPRECIATION

The General Secretary expresses his most hearty appreciation and thanks for the help and many courtesies rendered to him by the Executive Council, Sections, Departments, Commissions and Committees; and by the officials of the Association, State Vice-Presidents and State Secretaries. For the loyalty of the general Association membership; their words and communications of encouragement; and the hearty welcome accorded me when brought in contact with the bankers throughout the country, your General Secretary is most grateful.

In this year of especially strenuous activities, the services of President Goebel have been invaluable. The President has visited a large number of state association conventions; and during the Liberty Loan campaign, he made more than twenty addresses, all ringing with true patriotism. The President and Administrative Committee have been very close to the activities of the Association and have given valuable aid to the General Offices at 5 Nassau Street. It has been a great pleasure to work with President Goebel; he is broad-minded and liberal and always has the best interests of the Association at heart. Elsewhere in this report, under the head of the Sections, I have expressed my appreciation to the secretaries of the different Sections; and at this time I wish to express my thanks to Treasurer Wing, General Counsel Paton and Assistant Secretary Fitzwilson, also to Messrs. Welton, Lewis and Scott, heads of Departments, for their loyal support and the most excellent work done during the year; also, full appreciation to T. R. Wilson, Secretary to the General Secretary, and to all of the employees of the General Offices for their untiring energy and devotion in this past year, the busiest in the history of the Association.

ATLANTIC CITY

Just ten years ago, on September 24 to 29, 1907, our Association met in Atlantic City for its thirty-third annual convention. At that convention I was elected your General Secretary, and with the completion of ten years of service in that capacity, just a few words on the Association then and now seem to be appropriate. The membership was 9,251 on September 1, 1907; on September 1 this year we had 17,328 enrolled. Our income for the fiscal year 1906-1907 was \$135,617.05 and for the past fiscal year \$271,878.67. Ten years ago four rooms comprised our General Offices, with nine salaried employees. To-day we occupy the entire twelfth floor (divided into twenty-two rooms) of 5 Nassau Street and have fifty employees on the salary list. There are seven Sections to-day as compared with two in 1907; and since that year there have been created our JOURNAL-BULLETIN (with a monthly circulation now of 40,000 copies); a Library of three thousand volumes and forty thousand pieces in the Reference Department; a Legal Department; Protective Department with thousands of records of bank criminals and a rogues' gallery of 4,700 photographs; a Department of Public Relations and a Department of Contracts and Purchasing. The General Offices have also been modernized with up-to-date office devices.

Col. J. D. Powers was elected President, George M. Reynolds, First Vice-President and Lewis E. Pierson, Chairman of the Executive Council in 1907; and William J. Field (now secretary of the New Jersey Bankers Association) was New Jersey's member of the Executive Council. For the splendid progress which the Association has made during the decade, full credit should be given to all the officers who so loyally gave their services during that period. The Association has been fortunate indeed in the selection each year of men who have been conscientious and faithful in their duty.

Again we are assembled in Atlantic City in response to an invitation first tendered at our Seattle convention through Cashier Bartlett of the Atlantic City National Bank; this invitation was renewed at Kansas City last year, and the promises made there have been put into effect. Everything has been done for our comfort and pleasure and for the success of our convention. Most happy recollections of this forty-third convention will be carried home by everyone who was fortunate enough to attend.

I have visited Atlantic City on several occasions during the year in perfecting arrangements for this convention and found its people ever ready and willing to do all in their power to meet our requirements.

In conclusion, I express my most sincere thanks to the Executive Committee and to all the local committees of Atlantic City for the assistance and service received at their hands, in their earnest endeavor to execute the many details of our convention and on behalf of the Association, to convey its thanks for this successful convention and the unbounded hospitality of the city.

FREDERICK E. FARNSWORTH,
General Secretary.

Annual Report of the Treasurer, E. M. Wing

The balance on hand September 1, 1916, was \$32,264.22 and the balance on hand September 1, 1917, is \$3,098.58. Owing to the unusual expenditures the Association has been compelled to borrow \$20,000 which will be paid out of the first receipts.

September 1 the drafts for membership dues were sent out, 16,604 in number, amounting to \$277,700—an increase in number of 1,133 and an increase of amount of \$31,645. Of this increase \$17,000 is due to the proposed increase in dues.

In 1915-16 it cost to collect the dues \$1,607.50. In 1916-17, with 775 more items, the total expense was \$1,031.89. The saving was brought about by having more of the work done in the New York office instead of in the Treasurer's office, as has been customary. This year there will be a further saving of three or four hundred dollars in postage and clerk hire due to further economy in handling this work.

I wish to express my appreciation of the help and courtesy extended to me by Colonel Farnsworth and all of his assistants, as well as all of the other officers of the Association.

	Par Value	Carried On Books At	Market Value	Cost
Chicago, Burlington and Quincy, Ill. Division, 4's due 1949	\$50,000.00	\$47,400.00	\$45,000.00	\$50,843.75
Chicago, Burlington and Quincy, Joint 4's due 1921	12,000.00	11,600.00	11,505.00	11,559.09
Atchison, Topeka and Santa Fe, General Mortgage 4's due 1995	30,000.00	28,500.00	25,950.00	30,825.00
New York City Corporation, Registered 3½'s due 1940	30,000.00	26,500.00	26,700.00	25,506.67
	\$122,000.00	\$114,000.00	\$109,155.00	\$118,734.51

Respectfully submitted,
E. M. WING,
Treasurer.

TREASURER'S FINANCIAL REPORT
FOR FISCAL YEAR ENDING AUGUST 31, 1917

RECEIPTS

August 31, 1916.	
Cash balance	\$32,264.22
Interest on bank balances	2,619.50
Interest on stocks and bonds	4,730.00
Extra guests, convention	1,670.00
Dues (1915-1916)	50.00
Current dues (1916-1917)	254,199.47
Prepaid dues (1917-1918)	6,295.00
Account sale General Proceedings	88.57
Account Trust Company Section	59.80
Account Trust Company Section, special account	66.00
Account Savings Bank Section	260.54
Account Savings Bank Section, special account	56.00
Account American Institute of Banking Section	741.03
Account Clearing House Section	576.06
Account Clearing House Section, Book of Forms	60.00
Account Agricultural Commission	7,428.14
Account Bills Payable	20,000.00
Account sale of Telegraphic Cipher Codes	62.00
Account State Bank Section	2.60
Account postage, stationery and printing	67.59
Account travelling expenses	50.36
Account sundry small items	12.74
Account Liberty Loan Bonds	3,963.00
Office fund	2,000.00
	\$337,322.62
Sept. 1, 1917—Cash Balance	\$3,098.58

DISBURSEMENTS

August 31, 1916.	
Signs, membership	\$659.87
Office Fund	2,000.00
Refund account dues, 1916-1917 overpaid	140.30
Refund account dues, 1917-1918 overpaid	10.00
Rent, General Offices	5,883.37
Salaries, General Offices	32,497.55
Postage, stationery and printing	8,059.68
Publishing and distributing Annual Proceedings	13,925.97
Executive Council, Vice-Presidents and State Secretaries, securing new members	809.49
Furniture and Fixtures for General Offices and Sections	1,268.94
Extra Office help	436.75
Telephone and Telegrams	756.04
Treasurer, collecting dues 1916-1917	253.44
Treasurer, collecting dues 1917-1918	517.23
Convention expenses	3,562.88
Silver Service presented to retiring President	419.10
Auditors for 1915-1916 (Marwick, Mitchell, Peat & Co.)	100.00
Extra guests, convention	1,510.00
Travelling expenses	756.72
Bankers Trust Co., Premium on officers' bonds	106.25
Telegraph Cipher Codes	1.00
American Institute of Banking Section	13,208.03
Savings Bank Section	12,086.61
Savings Bank Section, special account	1.68
Legal Department	18,442.55
Protective Committee	67,961.03
Clearing House Section	7,090.82

DISBURSEMENTS—Continued

Clearing House Section, Book of Forms.....	1.53
Trust Company Section	8,643.97
Department of Public Relations.....	6,690.61
National Bank Section	7,096.87
Insurance Committee	4,398.92
Journal-Bulletin of the American Bankers Association..	37,214.71
Administrative Committee	940.62
Agricultural Commission, see receipts.....	11,928.14
Library, including purchase of Del Mar Library.....	12,915.41
State Secretaries Section.....	1,776.30
Committee on Federal Legislation.....	2,998.66
Committee on State Legislation.....	122.30
Special Committee of Twenty-Five.....	3,877.15
Efficiency Committee	235.06
Purchasing and Contract Department.....	1,264.97
State Bank Section	5,601.45
Committee on Credit Forms.....	209.86
Executive Council Meeting	10,357.21
Digest of Legal Opinions	611.20
War Loan Committees	18,530.10
Liberty Loan Bonds, see receipts.....	4,935.00
Interest, Discount and Exchange	9.13
Sundry items, supplies, repairs, (etc.).....	1,389.57
Balance on deposit in Batavian National bank, La Crosse, Wis.....	\$2,704.29
Balance on deposit in National Bank of Com- merce, New York, N. Y.....	394.29
	<hr/>
	3,098.58
	<hr/>
	\$337,322.62
	<hr/>

CERTIFICATE OF AUDITORS

We have audited the accounts of the Treasurer of the American Bankers Association for the year ending August 31, 1917, and certify that they are in accordance with the above statement. The disbursements are properly vouched and the receipts are in accordance with the records on file. We verified the cash balance of \$3,098.58 as at August 31, 1917.

MARWICK, MITCHELL, PEAT & CO.
79 Wall Street, New York. September 18, 1917.

Report of the Committee of Twenty-Five Regarding Check Collections

To the American Bankers' Association:

Your committee entered upon its duties believing that, in cooperation with the Committee on Federal Legislation, it was charged with the responsibility of securing an amendment to the Federal Reserve Act and such changes and modifications in the Federal Reserve Clearing and Collection System as are necessary to make the operations of that system fair and equitable, not only to the banks, but to the general public.

The first step on the part of the committee was to communicate with the members of the Federal Reserve Board and officials of the Federal Reserve Banks with the view of obtaining their advice, cooperation and assistance. Also to get from them such data and information as they had acquired bearing upon the Clearing and collection problem.

The next step was a nation-wide investigation through which the views, experience and advice of the bankers, business men and experts in every section of the country was obtained and all data, information and facts that were available upon the subject were acquired.

The next step was a meeting of the committee in Chicago, December 11, 1916, at which 21 members were in attendance. The committee considered the question from every angle; went over very carefully all of the facts and information compiled and after mature deliberation came to the conclusion that the purchase and sale of exchange is a legitimate function of banking and that banks are entitled to reasonable compensation for service and expenses incurred in providing exchange to the public, whether that exchange be sold direct over the counter or furnished through the medium of remittances made direct to the Federal Reserve Banks to cover items presented by those institutions.

It was the opinion of the Committee that exchange should be governed by supply and demand, cost of production and the relations between the various communities and that under present conditions no bank in America is warranted in making a charge when remitting for cash items of more than \$1 per thousand dollars to cover service and expenses incurred.

It was further unanimously agreed that an amendment to the Federal Reserve Act should be urged which would provide for reasonable compensation to all banks for exchange whether furnished direct or indirect. This compensation in no case to exceed ten cents per hundred dollars or fraction thereof based on the total amount of checks and drafts presented at any one time.

A sub-committee was accordingly appointed. This Committee went from Chicago to Washington, conferred with some of the leaders in the Senate and House and with other authorities, with the view of having introduced a measure embodying the views of the committee, as above expressed.

There was then pending in the House a bill known as the Kitchin Bill. It provided that banks shall have a right to make reasonable charges for service and expenses incurred in remitting. This bill was not satisfactory to the Committee because it contained no provision prohibiting abuse by the few banks that make exorbitant charges, and further if adopted would necessitate a legal interpretation to determine what is a reasonable charge. The Committee recommended an amendment to the pending Kitchin Bill providing that the charge in no case shall exceed ten cents per hundred dollars or fraction thereof based on the total amount of checks and drafts presented at any one time.

Later a conference of a sub-committee of the Committee of Twenty-five was held with the Banking and Currency Committee of the House in the hope of getting the approval of that body to the recommendations of the Committee of Twenty-five. It was found that the majority

of the members of the Banking and Currency Committee of the House were opposed to the amendment in any form. Despite this opposition the Kitchin Bill amended in accordance with the suggestions of the Committee of Twenty-five met with much favor and had every prospect of passing when questions of international importance arose preventing its final consideration during the sixty-fourth Congress.

At the spring meeting of the Executive Council a number of members of the Committee of Twenty-five conferred with Messrs. Harding and Delano of the Federal Reserve Board in an effort to impress upon them the reasonableness of the demands that were being made by the committee and to assure the Board of the committee's earnest desire to cooperate with the Board in bringing about a proper solution of the question.

Arrangements were then and there made for a meeting of the sub-committee of the Committee of Twenty-five with the Clearing Committee of the Federal Reserve Board at Washington on adjournment of the Council meeting.

In the meantime word was received that the Hardwick amendment embodying the views of the Committee had passed the Senate and a resolution had passed the House directing the House conferees to agree in substance to the provisions of the Hardwick amendment. In accordance with the arrangements made at Briarcliff a sub-committee of the Committee of Twenty-five went to Washington and conferred with Mr. Delano of the Clearing Committee and with other members of the Federal Reserve Board, assuring them that the Committee of Twenty-five desired to cooperate with the Board in every possible way to the end that the right and permanent solution of the Clearing and Collection problem should be reached.

After a delay of four weeks in which a nation-wide campaign was conducted to defeat the Hardwick amendment, the Conference Committee made report thereon embodying two provisions:

First, that the charges shall be regulated by the Federal Reserve Board.

Second, that no charge shall be made against the Federal Reserve Banks. These provisions were supported mainly because of fear on the part of the members of the House and Senate that the banks would charge an aggregate of a million Dollars exchange upon checks arising from the sale of the first issue of Liberty Bonds, this fear being aroused by a letter from the Federal Reserve Board to the Chairman of the Banking Currency Committee of the House.

The Bill as reported by the Conference Committee was adopted and became a law. Following the passage of the modified amendment the sub-committee of the Committee of Twenty-five conferred with the Clearing Committee of the Federal Reserve Board with the view of aiding in working out a proper plan under the modified law. At this meeting the Committee again assured the Federal Reserve Board of its desire to cooperate with the end that a satisfactory clearing and collection system might be developed.

So far as the Committee of Twenty-five is informed the Federal Reserve Board has not placed any interpretation on the modified law or made any definite ruling relative to its provisions. However, the Clearing and Collection system is now being operated along practically the same lines as it was operated prior to the passage of the law with the exception that two Federal Reserve Banks are now taking from their member banks a limited number of checks daily without making any service charge thereon, and are sending to their members stamped envelopes in which to make returns.

The Federal Reserve Banks are showing greater liberality in paying express charges on currency that may necessarily be shipped and there is also noted a cessation on the part of the Federal Reserve Banks in using the Express Companies and undertaking to collect checks and drafts through the Post Office Department, on banks that will not voluntarily agree to remit at par.

The detailed activities of the committee as reported from time to time in the Journal of the American Bankers Association together with all data and information that has been acquired by the committee is attached hereto as a part of this report.

The conclusions of your committee are as follows:

First, that banks are entitled to reasonable compensation for the service rendered the public in collecting and remitting for checks and drafts. The Federal Reserve Board has recognized the justice of this position by directing the Federal Reserve Banks to make a service charge to cover clerical and other expenses incurred within their own offices in handling items deposited by their respective members.

Second, that the provision in the Federal Reserve Act as originally passed that nothing therein contained should prevent a bank from charging its actual expenses incurred in transactions of this character is subject to a more liberal interpretation than has been placed upon it by the Federal Reserve Board. The Federal Reserve Board's ruling recognized but one of the many items of expense; namely, that of transportation charges upon currency.

Third, your committee is firm in its belief that the recent amendments to the law give the Federal Reserve Board the right to fix a reasonable charge to be made by remitting banks upon all items received by them from any Federal Reserve Bank, where such Federal Reserve Bank is acting as agent, and that the Board is charged with the responsibility of fixing and allowing the remitting banks reasonable compensation for their services.

The provisions that no such charge shall be made against the Federal Reserve Bank, refers only to checks and drafts which belong to the Federal Reserve Bank as principal. In this position your committee is supported by the opinion of the General Counsel of the American Bankers Association.

Fourth, your committee is further of the opinion that a liberal interpretation of the modified law by the Federal Reserve Board under authority conferred upon the Board by Congress would serve to eliminate in a large measure the dissatisfaction which prevails among the smaller banks throughout the country, because of the burdens that are imposed upon them through the operations of the clearing and collection system. This dissatisfaction is one of the factors that is preventing the development of the more important functions of the Federal Reserve System. Your committee feels that it is imperative that the banking resources be mobilized to the greatest degree possible in order that the system may meet in an adequate way the tremendously increased responsibilities arising from America's participation in the war. A proper settlement of this particular question will go a long way toward a unification of the banking system. Your committee believes that

all possible progress has been made during the year. The conditions have been of an extremely unusual character and much yet remains to be accomplished in the direction of making the clearing and collection plan fair and equitable to the banks and the public. The law has been amended, but changes and modifications in the clearing and collection system are yet to be obtained.

We believe that the work of the Committee can be expedited, made more effective and less expensive if the size of the Committee is reduced. We, therefore, recommend that a committee of five be appointed by the President of this Association with full power and authority to continue the work entrusted to the Committee of Twenty-five.

The Committee wishes to take this opportunity to express its deep appreciation for the untiring efforts of the Secretary of the committee, Mr. Jerome Thralls. His work has been unusually effective and his services were cheerfully rendered without compensation.

We also desire to thank the Committee on Federal Legislation for its cooperation and especially for the assistance rendered by its chairman, Mr. H. H. McKee, and by its secretary, Judge Thomas B. Paton, General Counsel of the American Bankers Association.

Respectfully submitted.

Annual Report of General Counsel, Thomas B. Paton

The General Counsel has been active during the past year in connection with the work of a number of committees, more especially

The Committee on Federal Legislation
The Federal Legislative Council
The Committee of Twenty-five
The Committee on State Legislation
The Committee on Warehouse Receipts

and to a lesser degree with the work of other committees and the Sections of the Association. Each of these committees will make its own report covering the subjects of their various activities and it is unnecessary that General Counsel, in this report, refer in any detail to such subjects or to his work in connection with such committees. This work has been secretarial as well as legal.

In a general way the work in connection with National legislation has included the examination and summarization of all bills introduced affecting banks and the preparation and forwarding of printed digests to the Federal Legislative Council and other interested workers; the issuing of confidential bulletins supplemented by letters and telegrams as the exigencies of the situation called for; interviews with members of Congress at Washington; participation in certain legislative hearings; attendance and participation in committee meetings; in the drafting of bills and amendments for Congressional action. The subjects of amendments to the Federal Reserve Act, including the provision for reasonable collection charges, and the pending tax measures have had a large share of attention.

In connection with the Committee on State Legislation, your Counsel has been active in the promotion, through the State associations, of measures favored by this Association in some forty-one States during the present year. The report of the Committee on State Legislation will show the results accomplished. Upon request of the Judiciary Committee of the Maine legislature, your Counsel attended a hearing before that Committee last February and made an argument in favor of the Negotiable Instruments Act. This since became a law in Maine, being signed by the Governor on April 7 last.

Last October the Administrative Committee authorized the Committee on State Legislation to draft and recommend a suitable amendment to State holiday laws which would make valid the payment of checks by banks and other transactions on Saturday half holidays. Pursuant to this resolution your Counsel prepared a draft of law covering the subject, which was forwarded to the different State associations. One State, South Dakota, has already passed this law.

As Counsel and adviser of various other committees and sections of the Association, your Counsel has attended all meetings of the Administrative Committee, advising such Committee of the progress of legislation affecting the Association and drafting resolutions and documents in connection with their work; participated in the work of the Committee on Credit Forms and has been constantly consulted by the Secretaries of all the Sections in connection with the various phases of their work and has also been called on for legal advice by the Protective and Insurance Committees.

During the last ten years the Association through its legal and semi-legal committees has, by systematic, organized and persistent effort accomplished important results in the promotion of uniform and beneficial legislation affecting the banking interests and in the standardization of forms of commercial instruments. The recommendation by the Inter-State Commerce Commission in June 1908 and adoption by the carriers generally of the Uniform Bill of Lading in two forms for straight and order shipments containing certain safeguards against fraud was, in itself, an important achievement, largely effected through the efforts of the Committee on Bills of Lading of this Association, whose functions have since been merged in the Committees on State and Federal Legislation. Following this, has come the enactment of the Uniform Bills of Lading Act in a considerable number of States and also, in modified form, by the sixty-fourth Congress, standardizing and unifying the National and State law upon these commercial documents of title and safeguarding in a much greater degree than before the banks and commercial purchasers who advance value upon the faith of these instruments of credit. The Uniform Warehouse Receipts Act has also been passed in a large number of States and we now have a special committee whose function includes the creation of a standard form of warehouse receipt and which will also investigate the State laws which regulate warehouses with a view to their sufficiency to insure the safety of the holders of receipts. The adoption of the Uniform Negotiable Instruments Act in all but two States of the Union, is a result largely of the efforts of the Committee on State Legislation of this Association, working in conjunction with State organizations of bankers. This Act has been of priceless value in standardizing the negotiability of bills, notes and checks the country over and has saved the banks of the country from incalculable loss which would have resulted from conflicting States laws. A large num-

ber of measures have, during the last ten years, been drafted by our Association and enacted in the various States, designed to protect banks from fraud and crime and to make banking transactions safer. Among these measures are the False Statements for Credit Act, the Derogatory Statements Act, known also as the Bank Slander Bill, the act punishing the giving of checks or drafts without funds, known also as the Bad Check Law, the act defining and punishing the crime of burglary with explosives, the act limiting the liability of banks on forged or raised checks, the acts authorizing the payment of deposits in two names and in trust and the act providing the competency of bank notaries. More recently there have been drafted acts limiting the liability of banks for non-payment of checks through error and the act authorizing bank transactions after twelve o'clock noon on Saturdays. Viewing all these various subjects, the Association has to its credit at the present day, through the energetic work of its legal committees, more than 200 enactments of laws in the different States, aside from subjects of legislation in Congress.

There is still much work to be done in further unification of the State laws on various subjects and in the providing of more adequate laws, both national and state, and this work will be prosecuted to the fullest extent consistent with the paramount demands of duty entailed by the great war which overshadows our country. To render still more effective the work of the respective committees on State and Federal Legislation, there are now pending before this Convention proposed amendments to the Constitution which will create a State Legislative Council as an adjunct to the Committee on State Legislation and officially establish the present unofficial Federal Legislative Council as an adjunct to the Committee on Federal Legislation.

Aside from the field of constructive legislation and promotion of legislative measures in which General Counsel has been engaged in connection with the Association committees, a large amount of advisory work is done each year for individual members of the Association in the rendition of legal opinions upon submitted legal questions. The nature of this work is sufficiently indicated by reference to the pages of the JOURNAL-BULLETIN of the Association in which some of these opinions are published. Over 600 opinions, published and unpublished, have been rendered to members during the last year. A digest of the published opinions has been prepared in manuscript form and now awaits revision, preparatory to printing.

THOMAS B. PATON,
General Counsel.

Report of the Committee on Federal Legislation by H. H. McKee

Gentlemen:

The work of your committee on Federal Legislation since the last convention of the association has been directed toward watching legislation which originated in the Sixty-fourth Congress and the extraordinary session of the Sixty-fourth Congress, and endeavoring to carry out the instructions given to the committee by a vote of the convention at Kansas City.

The second session of the Sixty-fourth Congress, which began December, 1916, was a short session ending by limitation March 4, 1917. During that session the impending international crisis crowded many important legislative measures, including proposed amendments to the Federal Reserve Act, from the legislative program, and no laws of vital interest to bankers were enacted except that provision of the Revenue Bill which imposes a tax of 8 per cent. upon profits of all corporations in excess of 8 per cent. earned on capital invested. While that measure was under consideration by the Committee on Ways and Means of the House of Representatives a suggestion was made to the chairman of the committee that the term capital referred to in the law should include capital, surplus and undivided profits and the law as it was passed was so worded.

Among the bills affecting the business of banking pending in the Sixty-fourth Congress which progressed out of committee, but which failed owing to the congestion of legislation and the consideration of larger national and international problems are including the following:

1.
A bill to authorize national banks to avail of state guaranty of deposit laws.
 2.
A bill to authorize the Secretary of the Treasury to use surplus moneys in the Treasury to purchase or redeem outstanding interest bearing obligations of the United States.
 3.
A bill to permit national banks located near the boundary line of adjoining states to select only a majority instead of three-fourths of their directors from residents of the state in which said banks are located.
 4.
A bill to promote export trade, known as the Webb Bill, the object of which is to encourage combinations of manufacturing and commercial houses to buy and sell abroad, thus exempting such associations from the provisions of the Anti-trust Act of July 2, 1890, and section 7 of the Clayton Anti-trust Act of October 15, 1914.
 5.
A bill to amend the Parity Act of March 14, 1900, as amended by subsequent acts, so as to authorize the Secretary of the Treasury to issue certificates in denominations of \$100,000.00 payable to order upon the request of the Federal Reserve Board, or any Federal Reserve Banks, or Federal Reserve Agent.
 6.
A bill to amend the Federal Farm Loan Act by establishing a thirteenth Federal Farm Land Bank district to be composed of the states of Colorado, Wyoming, Utah and New Mexico.
- In addition to the bills mentioned more than a score of other measures of interest to bankers, exclusive of eight measures dealing with the subject of "interest and usury," were introduced in the Sixty-fourth Congress, but were not reported by the committees to which they were referred and not one of them became a law or received serious consideration.

At the convention of the American Bankers Association at Kansas City last October, your Committee on Federal Legislation was directed by a vote of the convention:

1.

To cooperate with a special committee of 25 bankers to be appointed by the president of the association, to endeavor to work out a fair and equitable plan that will permit member and non-member banks to make a reasonable charge for remitting for checks and drafts upon themselves, and make an effort to have the plan agreed upon adopted as an amendment to the Federal Reserve Act.

2.

To advocate and endeavor to have enacted into law a provision establishing the legal reserves for country banks at 10 per cent.—5 per cent. with Federal Reserve Bank and 5 per cent. in member's own vaults.

3.

To oppose branch banking in any form.

The Webb export bill, having been approved by the American Bankers Association, became also an object of solicitude to your Federal Legislation Committee. Therefore our report will deal with these four subjects first and then recite our activities in connection with other legislation.

The special committee of 25 prepared and submitted for the approval of your legislative committee the following proposed amendment to the Federal Reserve Act:

"Provided further that nothing in this or any other section of this act shall be construed as prohibiting a member or non-member bank from making reasonable charges, in no case to exceed ten cents per one hundred dollars or fraction thereof, based on the total of checks and drafts presented at any one time for collection or payment of checks and drafts and remission therefor by exchange or otherwise."

Your legislative committee approved the proposed amendment and tried, but without success, to have the two congressional committees on Banking and Currency consider it in connection with S. 7833 and H. R. 20045, two bills introduced to amend the Federal Reserve Act.

When H. R. 20045, reported favorably by the House Committee on Banking and Currency, was under discussion in the House of Representatives, an effort was made to have the collection charge amendment added but it was decided that the amendment was not germane to the subject under discussion. Later the Senate adopted our amendment as part of S. 7838 and the Senate Bill and the one passed by the House went to conference. The conferees on the part of the House were instructed to agree to the substance of the collection charge amendment adopted by the Senate, but when the conference report was presented to the Senate and the House several weeks after our amendment had been adopted by the Senate, it contained a recommendation that our amendment be modified so as to give the Federal Reserve Board authority to determine whether a charge for collection and remission is reasonable or unreasonable and that no charge for collection and remission be made against a Federal Reserve bank. The recommendation of the Conference Committee was adopted by the Senate and the House. Thus while we succeeded in having our amendment accepted and the principle of the right of a bank to make a charge for the collection and remission of checks recognized by Congress, the modification which Congress adopted later at the suggestion of the Conference Committee renders the amendment utterly useless for the purpose for which it is intended. The Federal Reserve Board regards it so, inasmuch as the board has issued a statement that their interpretation of the law is that member banks have not the right under this collection charge amendment to make a charge for the collection and remission of checks drawn upon themselves when such checks are sent to them by their Federal Reserve Bank for collection.

Your committee advocated before the Banking Currency committees of the two Houses of Congress the establishment of 10 per cent. reserves for country banks, 5 per cent. to be carried with Federal Reserve Banks and 5 per cent. in vaults. That part of the Federal Reserve Act amendments referring to reserves which was finally adopted by Congress provides that 5 per cent. reserves shall be carried in the Federal Reserve Banks by the country banks. The Senate Bill fixed the amount at 6 per cent. and the House Bill provided for 7 per cent. The Senate conferees gave in to the House conferees on this point with the result as stated above.

When the Federal Reserve Act amendments which became law June 21, 1917, were originally introduced in the House of Representatives they contained a provision amending section 9 by adding a sub-section (2) authorizing mutual savings banks to become associate members of the Federal Reserve System, also a provision authorizing the Federal Reserve Board, under certain conditions, to increase for periods not exceeding thirty days, the amount of balances required to be maintained by member banks with Federal Reserve Banks. These two provisions were stricken from the Bill in committee, were not reported with the other amendments and were not enacted into law.

Another amendment proposed by the Federal Reserve Board was intended to permit member banks under certain conditions to establish branches, but it did not become a law.

Your committee worked diligently in behalf of the Webb bill during the Sixty-fourth Congress and during the present session of the Sixty-fifth Congress. It has passed the House of Representatives, is now before the Senate, having been reported favorably by the Senate Committee on Commerce, and the Senate leaders have made preparations to take it up before Congress adjourns and push it through.

To sum up your Committee's activities in connection with instructions received at the last convention it will be observed that the committee was only partially successful in carrying out its orders, although all forces available worked harmoniously together to achieve the result desired. The hardest fight was over the collection charge amendment which is known as the Hardwick amendment, because it was introduced in the Senate by Senator Hardwick of Georgia as an amendment to the amendments to the Federal Reserve Act. The special committee of 25, which had under its charge the Hardwick amendment, will make a special report of the history of that measure and its fate in Congress. Therefore your committee on Federal Legislation will not comment further on that subject except to state that there was the most hearty cooperation between the Committee on Federal Legislation, the Federal Legislative Council and the special committee of twenty-five in an effort to achieve the legislation desired.

When the War Revenue Bill was being written by the Finance Committee of the Senate it contained a provision taxing all bank checks in excess of \$5.00. Your committee protested the exemption of \$5.00 but did not oppose the tax. Before the bill was reported to the Senate the exemption referred to was removed and later, while the measure was being debated in the Senate, the tax on checks was stricken out. As this tax was not in the House Revenue Bill it is not subject for consideration by the conferees and there does not seem to be at this time any probability of bank checks being taxed.

When the Food Control Bill was before the Senate, Senator Cummings, on July 6th, introduced an amendment which was adopted prohibiting the withdrawal of distilled beverages from bonded warehouses. Your committee pointed out that if this measure became a law it would mean virtual confiscation of at least two hundred million gallons of whiskey without conserving the grain supply, resulting in the loss of many millions of dollars in revenue to the Government and causing distress to many banks that carry loans upon warehouse certificates for whiskey in bond. The next day the Cummings amendment was reconsidered and another amendment offered by Senator Smoot was adopted which provided that all whiskey in bond shall be taken over by the Government upon payment to the owner of cost plus 10 per cent. Your committee opposed that provision of the Food Control Bill on the ground that the word "cost" as used therein is vague and indefinite and the law did not fully protect those banks which, in good faith, had loaned their money upon the security of a legalized commodity the value of which for commercial purposes was about to be destroyed by Congressional action. When the Bill was under consideration by the conference committee the Smoot amendment was modified so as to give the President authority in his discretion to commandeer spirituous liquor in bonded warehouses for the use of the Government and pay the owners thereof a reasonable price for their commodity. That provision became a law and the banks which have loans secured by whiskey are in a better position than they would be under either the Cummings or the Smoot amendments.

Early in the month of August numerous letters and telegrams were received by Judge Paton, the general counsel for the association and Mr. Hinch, the vice-president, indicating a serious shortage of bills of small denominations.

Your committee called the attention of the Chairman of the Senate Committee on Banking and Currency and the Chairman of the House Committee on Banking and Currency to this condition and suggested congressional authority of a larger amount of one dollar bills. Statements issued by the Treasury Department indicate that there are outstanding about \$300,000,000 of small bills, \$1's and \$2's. The country-wide demand for \$1.00 bills led your committee to recommend that not less than \$300,000,000 additional \$100 notes be authorized by Congress. Mr. Glass, the Chairman of the House Committee on Banking and Currency introduced a bill Sept. 21, 1917, which authorizes National Banks to circulate \$1.00 and \$2.00 notes. If this measure becomes a law the cost of the preparation of plates and the redemption and destruction of these notes will have to be borne by the National Banks. Even though Congress enacts legislation authorizing the issue of a larger volume of small currency it is not certain that relief can be expected immediately, as the Bureau of Engraving and Printing is being worked to its capacity printing Liberty Bonds, stamps, etc. Your committee will do everything in its power to have the proper authorities relieve the situation which in some sections of the country has become acute.

Four measures, which authorize the Federal Reserve Board to suspend the loan limit of 10 per cent. as fixed by section 5200, U. S. Revised Statutes, have been introduced at this session of the Sixty-fifth Congress. As the Federal Reserve Board will have authority under the proposed law to determine the time for which the limit shall be suspended and as the amount and kind of security that may be required, and the aggregate of accommodations that may be extended in this way to any one borrower are clearly defined in the law, there does not appear to be any danger of the privilege being abused. The bill which seems to be receiving the most favorable consideration provides that the maximum of accommodation shall be 40 per cent. of the capital and surplus of a member bank and in no case greater than \$75,000 in excess of the limit prescribed in section 5200 of the Revised Statutes. None of the bills referring to this subject has been reported by the Committees of Congress to which they were referred and it does not seem probable that they will be brought forward for action until the regular session in December.

The most notable legislative enactment by the Sixty-fifth Congress affecting banks is the law amending the Federal Reserve Act which was passed in June, 1917. While lack of time and space forbids detailed analysis of these amendments which are familiar to every banker, it should be stated that they meet the approval of the members of this association except perhaps in one or two particulars. The amendments were written carefully with the idea of making the Federal Reserve System stronger and more serviceable to the member banks and the business world, and it is the general belief that these amendments are a very important and desirable addition to the Federal Reserve Act.

Your committee acknowledges with a deep sense of appreciation the valuable services rendered by those who have been associated with us in our work.

The members of the Federal Legislative Council and through them the members of the association have responded promptly and loyally to every call that has been issued. Without the splendid organization of the Legislative Council very little could have been accomplished. The Council members and the members of this association who have helped us have done excellent work for the American Bankers Association. We acknowledge the value of their services and thank them for their cooperation.

Mr. Thomas B. Paton, the general counsel of the association has been of inestimable value to your committee as its adviser and secretary. He has made frequent trips to Washington to confer with the chairman of the committee and appear in behalf of our association before congressional committees. He prepared and approved numerous proposed laws and amendments to existing laws in which our association is interested and assumed the burden of correspondence with members of the committee and the Federal Legislative Council which alone is no light task. He deserves and he should receive the thanks of the association for his valuable work in connection with Federal Legislation.

The Secretary of the Special Committee of twenty-five, Mr. Jerome

Thralls, has been particularly active and energetic in connection with the work allotted to that committee. The burden of the fight over the Hardwick amendment fell upon him. He was tireless and persistent and did a vast amount of work which was invaluable to those in and out of Congress who fought for that amendment. It is pleasant to acknowledge the value of his work and express publicly our appreciation of his services.

Senator Hardwick of Georgia, Hon. Lewis T. McFadden of Pennsylvania and Hon. Pat Harrison of Mississippi, deserve our thanks for the work they did in connection with the collection charge amendment. Senator Hardwick introduced the amendment in the Senate and was instrumental in having it adopted there. Mr. McFadden worked hard in the House to have the amendment incorporated in the amendment to the Federal Reserve Act. He succeeded finally in having the House instruct its conferees to agree to the substance of the Hardwick amendment which resulted in the amendment, though in a modified form, being part of the Federal Reserve Act now. Mr. Harrison took a lively interest in our cause and made a hard fight in our behalf. Therefore we express to the three members of Congress referred to the assurance of our appreciation of their efforts in behalf of the members of the American Bankers Association.

The past year has been a busy one for your committee. It has called freely upon the members of the Federal Legislative Council for assistance which has been given promptly and fully and all forces at our command have been organized for service. This organization should be preserved. The Federal Legislative Council members are keenly interested in the work allotted to them and many of them have built up splendid organizations in their states, which are valuable in connection with Federal Legislation. Every member of the association should cooperate with the Federal Legislative Council Member of his state, for it is not your committee on Federal Legislation that achieves legislation. It can only suggest and advise, but the members of the association are the ones who, by writing to their members of Congress and keeping them informed of the merits of legislation affecting banking, can and do secure results. Therefore, Gentlemen of the American Bankers Association here assembled in convention, you, with singleness of purpose, and coordination of effort, under competent direction can achieve good legislation if you so desire, or you can suffer bad laws affecting your business to be enacted if you are indifferent.

Respectfully,

H. H. MCKEE, *Chairman,*
Committee on Federal Legislation,
American Bankers Association.

Report of Committee on State Legislation

The Committee on State Legislation have been active during the past year in promoting through State organizations in some 40 states the various measures approved and recommended for State enactment by the American Bankers Association. The success achieved has been as follows:

The Uniform Negotiable Instruments Act has been passed by the Legislature of Maine which leaves but three states, California, Georgia and Texas yet to pass the law.

The Uniform Bills of Lading Act, after much persistent effort was passed this year by the Legislature of Missouri. Minnesota and New Hampshire also passed this law. This Act has now been passed by 19 states. As the last Congress passed an act based on the Uniform Act governing bills issued in inter-state and foreign commerce, the progress of uniformity of legislation on this important subject is most satisfactory.

The Uniform Warehouse Receipts Act has been passed this year in Delaware, Montana, North Dakota, West Virginia and Wyoming. This important act has now been passed in a total of 40 states.

The Uniform Stock Transfer Act has been passed this year in Connecticut, Delaware and Illinois. This Act has now been passed in 12 states.

Our Act providing a penalty for making false statements to obtain credit has been passed by the Legislatures of Arkansas, Illinois and Nebraska. In Arkansas the law was changed in certain respects from the recommended draft, but is still an effective law. This law, either in its original or in modified form is in force in 30 states.

Our proposed law punishing persons who maliciously circulate statements derogatory to the financial standing of banks has also been passed in Arkansas as an added section to the Banking Law. Twenty-eight states now have this law.

Our proposed law punishing the giving of checks where there are insufficient funds has been passed in Arkansas, Illinois, Iowa, Missouri, Nevada, Oregon and South Dakota. In all these states, however, except Illinois, a feature has been added under which if the drawer afterward makes the check good within a specified time he escapes punishment. In Arkansas this must be done "immediately"; in Iowa upon demand by the drawee or three days; in Missouri within five days after receiving notice of nonpayment; in Nevada within ten days; in Oregon the drawer has forty-eight hours after notification to make the check good and in South Dakota ten days. Provisions of this character are objectionable, being in the nature of compounding a felony. In Florida, the bad check law was amended, making the offense a felony, and reducing the time of notification to 24 hours instead of ten days. In Kansas the penalty provisions of the law were amended. In South Dakota a further act was passed making the issuer of a check refused for want of funds and who fails to redeem same, guilty of a misdemeanor. This law has now been passed in its original or modified form in 38 states.

The Act defining the punishing of burglary with explosives has been additionally passed this year in Illinois and Iowa which makes 23 states in all now having on their statute books, laws of this character.

The Act authorizing payment of deposits in two names to the survivor has been passed this year by the legislatures of Illinois and North Carolina and is now the law of 34 states.

Our recommended law relating to competency of bank notaries has been passed this year by the Legislature of Nevada. Eleven states in all now have this law.

At a meeting of the Administrative Committee held on October 31, 1916, it was

Resolved that the Committee on State Legislation be authorized to draft and recommend a suitable amendment to State Holiday laws

which will make valid the payment of checks by banks and other transactions on Saturday half-holidays in states which make Saturday afternoon a half-holiday, as well as in other states where, by reason of the provisions of the Negotiable Instruments Act, such transactions are of questionable validity.

Pursuant to this resolution General Counsel prepared the following draft of law which was approved by our committee and forwarded, with an explanatory statement, to the various State Associations:

"Nothing in any law of this State, shall in any manner whatsoever affect the validity of, or render void or voidable, the payment, certification or acceptance of a check or other negotiable instrument or any other transaction by a bank in this State, because done or performed on any Saturday between twelve o'clock noon and midnight, provided such payment, certification, acceptance, or other transaction would be valid if done or performed before twelve o'clock noon on such Saturday; provided further that nothing herein shall be construed to compel any bank in this State, which by law or custom is entitled to close at twelve o'clock noon on any Saturday, to keep open for the transaction of business or to perform any of the acts or transactions aforesaid, on any Saturday after such hour except at its own option." This law has been passed this year by the Legislature of South Dakota.

A large amount of legislation affecting banks other than measures specifically recommended by this Association, has been passed this year by the legislatures of many states. Official reports have not as yet been received from all the states and any summary of this legislation given in this report would, at best, be incomplete. A record of all reports thus far received is on file in the Office of the General Counsel of the Association and is available upon call of such members as desire specific information.

GEORGE G. CLARABUT,
Chairman.

Report of the Agricultural Commission, Joseph Hirsch, Chairman

The Agricultural Commission of the American Bankers Association enters upon this, the fifth year of its existence, at a time when measures the Commission has been advocating ever since its organization—increased food, feed and livestock production—have become a vital factor in the successful prosecution of the great enterprise upon which this nation has engaged—that lofty adventure which, untarnished by desire for material benefit, aims to make the peoples of the world free, as we are free, to enjoy the blessings of liberty and self-government.

We have found that, to accomplish this purpose, agricultural preparedness is just as necessary as military preparation, and it is this doctrine which your Commission has been endeavoring to spread to the bankers of America. This nation-wide campaign which, within a few years' time has aroused the most intense interest among the bankers of this country, has been directed with the view to increasing our agricultural efficiency. We have heard much of efficiency these past few years. Efficiency experts have helped to make every line of business safer, and several of our large banking institutions have engaged the services of these experts and have placed them at the disposal of their customers in order that the banks, themselves, might have a sounder basis for the extension of credit.

We are endeavoring to apply these efficiency methods to the business of farming—the greatest business of this country. The real purpose of your Agricultural Commission and of the state bankers' agricultural committees is to increase our agricultural prosperity, and, at the same time, make the banking business more profitable and infinitely safer by lending direction and financial assistance to the sound farming projects advocated by those efficiency experts, the field forces of the United States and State Departments of Agriculture.

How well this movement has advanced was indicated in a report made to this Association at Kansas City last October, when the activities of the various state bankers' agricultural committees were outlined at some length. These activities have continued to grow and have become the chief feature of the work of many of the state associations. Immediately after the Kansas City meeting your new Agricultural Committee was organized, and, to increase the efficiency of our work, we divided the Union into seven districts, assigning seven states to each member of the Commission. Our principal activity since that time has been the effort to organize an active bankers' agricultural committee in every state, while we have further advocated the policy of these committees subdividing their states into zones and creating a member of the Agricultural Committee in every one of these counties. I am happy to announce that, as a result of this campaign, Wisconsin, Michigan, Missouri, Iowa, Pennsylvania, Ohio and Texas bankers' agricultural committees have organized along these lines, and will testify to the effectiveness of this plan of county organization.

The efforts of your incoming Agricultural Commission should be continued in this direction, so that presently I trust we may have an active bankers' agricultural committee in every state and a banker chairman of agriculture in every county of the Union.

During the past twelve months we have redoubled our efforts toward the employment of additional county agents, and no better proof of the wisdom of this policy can be offered than the fact that our government, since our entrance into the war, and in its campaign for increased food production, has announced that it will endeavor to place a county agent in every agricultural county of America.

Your Agricultural Commission has continued to advocate the development of the livestock industry, and hundreds of calf, dairy and baby beef clubs, sheep, swine and poultry clubs, have been organized by bankers all over America. Thousands of pure bred cattle, sheep and swine have been purchased by bankers and have been sold to farmers and to children, members of livestock clubs, at actual cost, on easy terms. The county agents have been used in the organization of these clubs. They have attended to the purchase and distribution of the animals—they have furnished the scientific direction, while the bankers have financed these enterprises. The government, the agricultural colleges, the packers, all testify to the importance of these movements. They are playing an important part in the great campaign our government is waging for the increase of the world's meat supply. You are all familiar with the plans of our Secretary of Agriculture and of Food Administrator Hoover for the conservation and development of our livestock industry, and it is of special interest

to note how many bankers, prominent in the work of the bankers' agricultural committees, has been assigned a part in this campaign.

The state associations, which have been vigorously conducting agricultural and livestock movements, will testify to the marked increase in bank deposits, the increasing safety of bank loans, and to the development of rural prosperity and contentment. If you want first-hand knowledge of what has been accomplished as a direct result of bankers' agricultural activities, you have only to turn to a few of our states. Illinois has furnished an example with its remarkable livestock campaign. Bankers have organized scores of calf clubs, and it is stated placed 2,500 calves with boys and girls of these clubs within ninety days. Wisconsin and Michigan will testify to what has been done in the development of the dairying industry and in their campaign for pure bred seed. The Wisconsin bankers, acting in conjunction with their agricultural college, have distributed a variety of seed which it is believed will increase the state's wheat yield from an average of twenty bushels per acre to thirty-eight and one-half bushels per acre, while Michigan bankers hope to save their state some fifteen millions of dollars which is lost annually because of poor seed.

The entire South has engaged upon safe-farming campaigns, conducted largely under bankers' auspices, which have saved millions of dollars to southern farmers and have marked an agricultural revolution in the land of cotton. In Arkansas, Tennessee and Mississippi agricultural wealth has been tremendously increased as a result of bankers' activities. Missouri, Kansas, Washington, California, Pennsylvania, Colorado, and many other states, will bear witness to the fact that where bankers have engaged upon policies advocated by the bankers' agricultural committees greater prosperity has resulted, and the committees have received the enthusiastic support of the scientific forces of the United States Department of Agriculture and the Land Grant Colleges.

An interesting feature of the work during the past year has been the banker-farmer meetings at the agricultural colleges. The Wisconsin association has conducted two of these joint meetings—the last conference being attended by 500 farmers and one hundred bankers. The Washington association conducted a similar excursion to their agricultural college at Pullman, while the chairman of this Commission had the pleasure of addressing a session of the California association which was held at the University Farm School at Davis, California, at which about 500 members were in attendance. The bankers were first conducted on a tour of the university farm and were given practical evidences of the value of seed selection, seed testing, experiments in tree spraying, fertilization, etc. Following this, an interesting session was held in the livestock pavilion. The bankers were shown specimens of pedigreed cattle, sheep, swine and Percheron horses. A five minute lecture accompanied each exhibit, and the value—the practical dollars and cents value—of thoroughbred livestock was made clear to hundreds of bankers. It was the most interesting bankers' convention I ever attended, and it got quick results, because many California bankers are now turning their attention to the development of the livestock industry in their communities as a direct result of this very practical meeting. This is the kind of bankers' agricultural work which will bring prosperity to our country—the bankers are acting as the connecting link between the scientific forces of the colleges and the practical forces of the fields.

This work is still in its infancy. There are scores of projects upon which bankers can engage to their own advantage and the general welfare of their communities. The greatest need in this movement today is the appointment of an active agricultural committee by every state association. At present, we have forty-two of these committees, but some of them are not giving to this work the measure of support which it deserves—especially at this time, when the efforts of every banker and of every farmer in the Union should be joined toward increasing our food and livestock production.

The Agricultural Commission has been outlining plans which it believes to be sound, and has been endeavoring to co-ordinate the work of the state agricultural committees, but seven men can not, of themselves, make a success of this work. *We need a leader in every state and we need followers in every county* of these states, and I call upon every state president and secretary and upon the members of this great American Bankers Association to give us these men and lend us your active, personal assistance in this work, *which has now become of the utmost national importance. It has always been important—it has always been sound, but it has never been so important, so vital to the welfare of this nation, as it is at this very moment.* It is your duty to see that your state association establishes a good, strong agricultural committee which will join in the policies advocated by your Agricultural Commission. We can not dictate the policies of any state association—it is our province merely to suggest and to encourage certain lines of endeavor.

How are we to bring these matters before the associations—how are we to get in touch with these agricultural committees? There are three methods. First, personal work in the field; second, correspondence, and, third, an official organ which will reach all the bankers. As to the first method, the members of your Commission, like yourselves, are busy men—they are engaged in their own banks, yet they have given many days of their time to personal work in the field. They have accepted a number of calls to deliver addresses before bankers' and other organizations, and, so far as possible, they have given of their personal time to this public service. Each one of the members of this Commission has also endeavored, faithfully, to keep in touch by correspondence with the states assigned to him, but this is, at best, a feeble medium, with the time and the means at our disposal. Yet, it may interest you to know that from the office of the chairman alone there have been sent out, during the last twelve months, not less than 1,300 communications, to say nothing of circular letters, while the other members of the Commission have been equally diligent. But, in order to reach 28,000 bankers of America, our only effective method can be by the publication of an official journal which will bring to them the plans and purposes of your Agricultural Committees, and this we have been doing through the medium of the *Banker-Farmer*.

Under the able direction of our very capable editor, L. M. Tobin, the *Banker-Farmer* has continued to increase the scope of its usefulness. It occupies a unique position among the banking journals of America, as it is the only publication devoted exclusively to arousing the bankers' interest in a better agriculture. It has been enthusiastically received by the scientific forces of the government, while hundreds of

agricultural and live-stock projects have been engaged upon by bankers as a result of its influence. I have just been scanning the pages of our little publication for the last twelve months, and, in my judgment, there are few banking magazines which have presented their readers with articles from higher or more authoritative sources than have appeared in the pages of the *Banker-Farmer*. Among the notable contributions received, let me mention articles especially written for the *Banker-Farmer* by Secretary of Agriculture David F. Houston, Assistant Secretary Carl Vrooman, who graces us with his presence on this occasion, by Hon. Bradford Knapp, in charge of the government extension work in the Southern States, Herbert Quick, of the Federal Farm Loan Board, and other government officials. In May we were officially requested to run President Wilson's appeal to the farmers of America, which was reproduced on the front page, while in August we published a special communication which was sent by Secretary Houston to the Agricultural Commission, asking the co-operation of bankers in twenty-four states where a surplus of perishable food crops existed. A copy of the Secretary's letter was sent to the association of the twenty-four states mentioned, with a request to reprint in a bulletin to be sent out to all their members, and, as a result of this action, the Secretary of Agriculture was able to get into immediate touch with the bankers in these states, and the department expressed itself as much gratified at the results accomplished.

The *Banker-Farmer* played an important part in the home garden and canning campaigns, and special articles were written for the paper by Hon. Charles Lathrop Pack, president of the National Emergency Food Garden Commission, by Madam Leonarda Goss, editor of *The Farmer's Wife*, while notable contributions were received from numbers of editors of influential farm journals, deans of agricultural colleges, and others. But, not only agricultural leaders have contributed to our pages. The *Banker-Farmer*, true to its name, has been furnished with many leading articles by a number of the greatest bankers in America, including President Peter Goebel and Vice-President Hlnsch of the American Bankers Association, Messrs. Frank Vanderlip, George M. Reynolds, James B. Forgan, A. Barton Hepburn, the governors of the Federal reserve banks, and by a number of the presidents and secretaries of the state bankers' associations. My associates on the Agricultural Commission and the chairmen of the state bankers' agricultural committees have furnished many valuable contributions, while special articles and editorial matter have been from the facile pen of our editor, Mr. Tobin.

In addition to this, the *Banker-Farmer* has done valuable work in preparing printed forms for the organization of live-stock clubs. We have furnished thousands of these forms to bankers, and several hundred clubs have been organized as a result thereof. We have also sold, at practically cost price, over 20,000 copies of the agricultural credit rate sheets and several thousand copies of the model landlord and tenant leases, which appeared in the pages of the magazine. This is the kind of practical work by which we have been reaching the bankers, and hundreds of them will testify to the fact that their interest in agricultural and livestock development has been aroused through reading the *Banker-Farmer*.

During the twelve months ending August 31, our circulation was 336,684. Of this number 152,043 copies were subscribed for by twenty-five state associations, who distributed them to their members, while no better evidence of the actual value of this magazine can be offered than the fact that individual banks have paid us \$4,282 for 156,000 copies of the paper, which they have distributed to their customers.

Now, just a word about the method of distribution of the *Banker-Farmer*. We have asked the state associations to co-operate with the American Bankers Association by subscribing for this magazine on the basis of the small charge of twenty cents per annum per member bank. This is approximately one-half the cost of publication, and this method of distribution seems to me to be absolutely fair and equitable. If the American Bankers Association were to send the paper only to members of the Association, as has been occasionally suggested, it would today reach some 17,200 bankers, but a large portion of this number are city bankers, and while their interests are well served by the publication, it is, nevertheless, a fact that the bankers we desire most to reach are the small country bankers who frequently do not belong to the American Bankers Association, but who are members of the state associations, and we have, therefore, asked the state organizations to co-operate with us on this very fair basis.

I do not think the matter of this joint distribution has been fully understood by a number of the state presidents and secretaries, nor by members of our Executive Council, and I trust this makes it clear to you, because, during the next twelve months, when the work upon which we are engaged is so especially important, we ought to have the co-operation of every state bankers' association, and I want the assistance of every member of this organization to that end. If the work of the Agricultural Commission and the policies we have been advocating through the *Banker-Farmer* are sound, then *they ought to reach to every State Association, but we cannot reach them unless you help us.*

I am not going to burden you with an extended financial report—the detailed report will appear in the printed proceedings, but I want you to know that the entire cost to the American Bankers Association for the work of the Commission during the past twelve months, including the publication of the *Banker-Farmer*, was \$4,500. We received from state associations \$2,438.47 and from individual bank subscriptions, and other sources, over \$5,000. Our total expenditures were \$11,928.14. Of this amount \$651.40 was expense attaching to the Briarcliff meeting, but, outside of that, every cent was used in office expense and in the publication of the paper.

An interesting meeting of the Agricultural Commission was held at Briarcliff last May. This meeting was attended by a large number of the members of the council, and ladies, and aroused great interest. A joint meeting of the Agricultural Commission and the chairmen of the state bankers' agricultural committees was held on September 24, the first day of this convention. At the time this article was prepared, indications pointed to a large attendance. It is planned to co-ordinate the work of the state committees and extend the movement to every state association. Representatives of the United States Department of Agriculture and of a number of the agricultural colleges have promised to be in attendance.

There is no feature of the work of the American Bankers Association which, in my judgment, is of more importance than that of your Agri-

cultural Commission. It should become a permanent committee of the organization, and the members of the Commission should be chosen with the utmost care. I feel that if the past year has been one of achievement, it is because of the men who have been associated with me on the Commission. Mr. J. R. Wheeler has not only served with distinction as chairman of the Agricultural Committee and as president of the Wisconsin Bankers' Association, but has rendered brilliant service as a member of the Agricultural Commission ever since its organization in 1913. Messrs. Will C. Gordon of Missouri, O. N. Sams of Ohio, and B. C. Powell of Arkansas, have, likewise, served as agricultural chairmen and presidents of their state associations, while Mr. Fred N. Shepherd has rendered distinguished service as chairman of the Idaho committee. I desire to pay this special tribute to these members of your Commission who have served you so faithfully and with an intelligence born of ripe experience. Editor Tobin has been a veritable wheel-horse, while grateful acknowledgments are due President Goebel, Vice-President Hirsch and General Secretary Farnsworth, who have worked in close accord with us.

In conclusion, I appeal, once again, for the support of the state associations and the individual members of the American Bankers Association in the work of your Agricultural Commission; a work which is of material benefit to every banker who engages upon it and which is bringing about a closer relationship and a better understanding between the bankers and their farm customers—a work which has always been economically sound, but which today has become so important a factor in the program for our National Defense that it becomes your patriotic duty to give it the fullest measure of your support.

JOSEPH HIRSCH,
Chairman.

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

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 Sept. 1, 1916, up to and including August 31, 1917, I beg to report as to operations against criminals, as follows:

Total cases not disposed of arrested prior to September 1, 1916.....	113
Total arrests since September 1, 1916.....	443
	556
Convicted	281
Released, escaped, insane and died.....	139
	420
Awaiting trial	136

Since September 1, 1916, up to and including August 31, 1917, there have been burglaries and attempted burglaries on members, and similar crimes on non-members, as follows:

	Members	Non-Members
Arizona	1	
Arkansas	1	1
California	2	1
Colorado	2	
Georgia	1	1
Idaho	1	
Illinois	7	16
Indiana	2	6
Iowa		3
Kansas	3	7
Kentucky	1	
Michigan	3	2
Minnesota		1
Missouri	2	1
Nebraska	2	6
New York	2	3
North Dakota		2
Ohio	9	3
Oklahoma	3	12
Oregon	1	
Pennsylvania	1	
Tennessee	1	
Texas		1
Washington	2	1
Wisconsin		2

Of the attacks on members nineteen were successful burglaries, twenty-seven unsuccessful.

Of the attacks on non-members thirty-nine were successful burglaries, thirty unsuccessful.

The loss sustained by members in connection with burglaries was \$35,372.68, while the loss sustained by non-members amounted to \$64,637.11.

There have been thirty-one hold-ups on members with a loss of \$66,640.80, also three sneak thefts with a loss of \$1,370.

During the same period there have been forty-nine hold-ups on non-members with a loss of \$135,143.74, also one sneak theft, loss, \$200.

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

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

Non-Members	1,608	Loss.....	\$2,307,581.94
Members	497	Loss.....	302,173.88
Difference	1,111		\$2,005,408.06

CORRESPONDENCE

During the past twelve months ending August 31, 1917, the Protective Department has received 29,929 reports and other communications from our Detective Agents. The department has also received 939 letters and telegrams, and written 2,132 letters and telegrams. These figures do not include circular letters and other communications.

PHOTOGRAPHS

The department now has 5,420 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 Wm. J. Burns International Detective Agency, Inc., now has 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 five special representatives, C. E. Sears, c/o Hotel Albert, Jacksonville, Florida; A. B. Cooper, 908 Colcord Building, Oklahoma City, Oklahoma; M. W. Williams, 408-409 Bank of Commerce and Trust Building, Memphis, Tennessee; P. R. Schumacher, 601 Young Street, Dallas, Texas, and William Duffy, 534 South Second East Street, Salt Lake City, Utah.

They also have offices of their own in Montreal and Toronto, Canada, and London, England.

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 Contract and Purchasing Department, George Lewis, Manager

The Contract and Purchasing Department is ten years old, but it was not formally created a department of the American Bankers' Association until March 16, 1917. On that date it was segregated and its expenditures charged separately. The Executive Council at its spring meeting at Briarcliff, May 9, appropriated \$950 for the use of the department for the balance of the fiscal year.

Its first formal report was made to the Spring Meeting of the Executive Council referred to, and outlined the functions and work of the department. These are: To purchase all office supplies, including stationery, printing of all kinds, to arrange for mailing and addressing when required, to assist in the preparation of literature sent out from the General Offices, to make contracts for the publication of the annual book of proceedings and to follow up this work until the finished books are sent out to the members; to contract for the printing of programs at conventions and spring meetings, to take charge of the physical arrangements for meeting rooms at conventions and spring meetings, and to act as a general bureau of information and service in whatever capacity it may be called upon. The expenditures supervised by this department amount to about \$50,000 annually. Through economical methods of buying and constant study of printing and paper problems, and by keeping in close touch with market conditions, considerable savings are constantly effected.

No purchases are made except on receipt of requisitions signed by a section or department head and approved by the General Secretary. During the fiscal year just closed there were received 317 requisitions, and 444 purchase orders were sent out. Frequently one requisition calls for several purchase orders.

The most important work which this department has been called upon to do was in connection with the Liberty Loan campaign conducted by the Association last May and June. The manager of the department was appointed a member of the General War Loan Committee in charge of the printing and mailing, a task which brought into play every facility and resource at the command of the department. It is a matter of pride that the total of one and a half million pieces of printed matter sent out by the Association during the period of the campaign was produced without delay, in an incredibly short time, and with scarcely a typographical error. To cite a single instance, the sixteen-page "Plan Book" which proved so extremely valuable during the campaign was handed in in manuscript form to the printer at 10 o'clock one morning; the proofs were ready for the approval of the General Committee at its 3 o'clock meeting that afternoon, the pages received a final O. K. at 11 o'clock that night, and the next day the pamphlets were being mailed. Forty thousand copies were printed. Each time a piece of matter was printed it meant the buying, addressing and mailing of 30,000 envelopes, as every bank in the country was circularized. On the Saturday afternoon preceding the closing of the loan, a final urgent appeal in leaflet form was put into type and a proof submitted within half an hour, and in the course of the afternoon many thousands were printed and sent on their way. These instances are cited to show that the department as now organized has withstood probably as great a strain as it will ever be called upon to endure. Fortunately, during the period of the campaign almost all other work in the General Offices was practically suspended so that entire attention could be given to the Liberty Loan.

With the approval of the General Secretary, several contracts have been made during the past year for letterheads, paper, etc., which will show to the advantage of the Association during the next few months. Other economies are in contemplation.

The department endeavors to practice economy without hysteria, and efficiency without stepping all over itself.

Respectfully submitted,
GEORGE LEWIS, Manager.

Report of the Committee on Insurance by H. E. Parker

To the Members of the American Bankers' Association:

GENTLEMEN: Because of the special consideration which you will probably give at this convention to insurance matters generally, it will doubtless be of value to review very briefly the results of your Committee's work for the last three years.

The early investigations of your Committee showed that the amount of claims paid by the insurance companies to member banks under various forms of insurance contracts were far from the whole amount of losses sustained by the member banks. A careful study of the many insurance forms in use revealed the existence of innumerable technical restrictions in both the fidelity bonds and the burglary, robbery and messenger hold-up policies, by reason of which many losses which the bank thought would be covered when the insurance was bought were found to be excluded from the insurance contract. Your Committee advanced the theory that the first most important service to the banks was not to attempt to cheapen the cost of insurance, but to create such insurance forms as would give the bank as nearly a complete protection as possible when a material loss makes such protection a vital necessity. Accordingly a study of the insurance laws of the various states was begun, existing policies of many insurance companies were examined, a record of many contested claims was obtained showing the conditions under which many claims were not paid, out of which work improved forms of bonds, burglary, robbery and hold-up policies have been evolved, and these forms have from time to time been improved. Much opposition was offered by the insurance companies to these improved forms, but after copyrighting them your Committee instituted a systematic campaign of publicity through which has been created a growing demand on the part of the member banks for our forms. It has been no easy task to create these new insurance forms, to overcome the opposition of the insurance companies to them, to educate the member banks to their use, and to meet the many discouraging efforts made to offset the results of your Committee's activities. We are happy to report, however, that our copyright forms are coming into very general use, with the result that member banks are obtaining without additional cost a more complete insurance protection than ever heretofore enjoyed.

The inevitable result of the wider use of these more liberal forms has been the increased number of claims paid by the insurance companies. For instance, under the old forms of bond sold by the insurance companies, a defalcation occurring during the life of the bond was not paid unless discovered within six months or within fifteen months after the termination of the bond. Our copyright bond is unlimited as to period of discovery. The old forms of bond sold by the insurance companies were conditional upon a schedule of warranties which the bank guaranteed that audits would be made at stated periods, supervision of employees would be reported, etc. Our copyright bond contains no warranty of any sort made by the bank. Under the old burglary policies sold by the insurance companies, similar warranties existed as to character of equipment, maintenance of burglar alarms, etc. Our copyright burglary policy contains no warranties. The old policies did not pay for burglaries unless explosives, electricity or tools were used in entering the equipment. Our new copyright policy paid for burglary into equipment with the time lock without regard to the use of tools, explosives, etc. An enumeration of all of the improvements enforced by your Committee would make a lengthy report in itself. It is interesting to note that for the year ending September 1, 1913, the total burglary and hold-up losses paid to member banks amounted to \$30,823.27. For the year ending September 1, 1915, these losses amounted to \$71,516.56. For the last twelve months ending September 1, 1917, burglary and hold-up losses paid to member banks amounted to \$103,267.86. In other words, while the membership of the Association has increased 23 per cent., the amount of burglary and hold-up claims paid to the member banks has increased 237 per cent. Your Committee submits that increasing the coverage of the banks' insurance, without additional cost, is equivalent to a reduction of cost, and it is infinitely more important to the banks at large to insure as nearly as possible the payment of their claims than to cheapen the cost of their insurance at the expense of their protection. The cost at present rates does not constitute a heavy expense, whereas the coverage may be vital—the very existence of the bank may depend upon it.

Your Committee, however, has given due consideration to the cost of bank insurance. Last May your Committee reported to the Executive Council a proposal from a reputable group of Lloyds submitted through W. E. Mellen, representing W. F. Hayden & Company, of Montreal, Canada, offering a 20 per cent. reduction on the prevailing fidelity bond rate of \$2.50 per thousand. Accompanying this proposal is a new form of bond containing all of the essentials of our copyright forms, and in addition thereto undertaking to pay for losses which occurred prior to the execution of the bond, but discovered during the life thereof. This proposal not only incorporated a form of bond which met the approval of your Committee, but gives the member banks an opportunity of saving \$400,000 per annum on the two million dollars of premiums paid by the banks of this country for this form of insurance. Although this particular group of Lloyds bears a most excellent reputation for paying claims in this country, and is selling at this time insurance to American banks on which the annual premiums exceed \$500,000 and is highly recommended and endorsed to your Committee by a number of very large and representative American banks, we deem it proper to point out that Lloyds pay no license to transact business in this country, and in the event of litigation suit would have to be brought abroad. Messrs. Hayden & Company have transmitted this proposal to all member banks of this Association, and your Committee has been exceedingly busy answering inquiries regarding the same. Your Committee has submitted this proposal to all American insurance companies heretofore licensed to execute our copyright forms, and the matter is at this time having the consideration of these companies. Some of them have already advised your Committee that the bond will be furnished to member banks upon request. One of them has already written your Committee that the lower rate of \$2 per thousand will be charged. In previous reports your Committee has outlined the history of the blanket bond designed to meet the competition of Lloyds, the form of which bond was finally approved by your Committee after many conferences with leading American insurance companies, and after disapproving

various forms first attempted by American insurance companies. The minimum rate on the Lloyds bond is \$1,000 per annum, whereas the minimum rate on the bond offered by the American companies is \$625 per annum, and the schedule of additional charges is also smaller than that of Lloyds. The average of the Lloyds bond, however, is more complete.

Your Committee has not obtained a reduction in rates on burglary insurance. Instead we have continued to encourage the use of our copyright policies, giving to the banks a wider coverage than heretofore obtained, and we have felt that an increase of 237 per cent. in the payment of claims under this form of insurance to member banks has been of infinitely more value than a reduction in the initial cost of the insurance.

The work of your Committee has grown to be continuous. Whenever a burglary, robbery or hold-up is reported by a member bank, the Protective Department at once sends to the Secretary of your Committee a copy of the report. Your Committee at once takes up with the bank the question of its insurance coverage, and case after case has been reported to you in which your Committee has been able to render the most valuable service to the member bank in obtaining a settlement of its claims. A continuance of this work is not only valuable to the banks sustaining the loss, but is valuable to your Committee, in that it enable us to keep abreast of changing conditions and amend from time to time our copyright forms so as to eliminate dangers created by new conditions. For instance, robbers some time ago entered a Western bank and undertook to remove the safe from the bank building and open it at their leisure. No one foresaw such a possibility, and prior to that time no burglary policies paid for loss due to burglary except such burglary as was committed upon the premises of the bank. The latest burglary policy of your Committee covers this contingency.

In addition to following up all losses and assisting in the settlement of such cases in which the bank asks for help, your Committee undertakes to furnish information or opinions upon any insurance matter in which the member banks may be interested, and our correspondence in this particular has continued to grow, and many most satisfactory acknowledgments of service are being received. A printed list of some of these acknowledgments has previously been brought to your attention, and is now being used in a mail enclosure from the New York office for the purpose of introducing to non-member banks some of the advantages of the membership in the Association.

The Secretary of this Committee, by education and long experience is, in the opinion of the Committee, the ablest expert in this line of insurance that the Committee knows of, and his services, as well as the services of each member of the Committee, are at the command of the membership of the Association at all times. Your Committee cannot report to you in detail all of its activities without making this report both lengthy and burdensome. While we have tried to be fair and impartial to all insurance interests with which we have come in contact, we have not always incurred their pleasure; we have had opposition from and controversies with the representatives of more than one form of insurance interests, but it is particularly gratifying to us to be able to report to you that in each instance the opinions of your committee seem to have been justified by the facts and have stood. We cannot too emphatically recommend to you the continuance of the work as we have outlined it, together with any other duties which experience and the pleasure of the Association may impose.

Respectfully submitted,

H. E. PARKER, Chairman.

Report of National Bank Section by Joseph S. Calfee

MR. PRESIDENT AND GENTLEMEN OF THE CONVENTION: I take pleasure in submitting the following report:

During its second year the National Bank Section has rendered each month an increased amount of service to its members. The Executive Committee has held five meetings; two of these were held at Kansas City, two at Briarcliff, and one in this city.

The work of the Section has been prosecuted in an efficient and enthusiastic manner. The Section has devoted its energies largely to encouraging the development of the various functions of the Federal Reserve System, and has used its influences, wherever possible, to encourage State Banks and Trust Companies to join the Federal Reserve System. This was done in the belief that a mobilization of the reserves of all banks in the United States would benefit and strengthen the banking interests of our country.

America's entrance into the war has brought tremendously increased responsibilities to the national banks, but to meet these responsibilities the national banks are to be congratulated in having in full force and effect the Federal Reserve Law. It is, therefore, with a sense of profound satisfaction that the national banks in this time of war may avail themselves of the facilities offered by the Federal Reserve Act. This law has given a sense of satisfaction and security which did not exist prior to its enactment. There is no doubt the system represents an immense advance over anything this country has had before. The amendments passed during the present year materially strengthened the law and broadened the powers of national banks.

At its Briarcliff meeting the Executive Committee, through resolution, placed the machinery of the Section at the disposal of the Government and the Federal Reserve Banks, in the flotation of all war loans.

Immediately following the Briarcliff meeting of the Executive Council the machinery of the Section was merged with that of the other sections, departments and committees of the American Bankers Association. It rendered valuable and efficient service; in fact, devoted practically all of its energies to the one proposition for an entire month.

The Section has been particularly interested in encouraging the development of the acceptance business. The Secretary has delivered addresses to gatherings of bankers in ten cities upon banking topics. The Section has co-operated closely with the Committee on Federal Legislation in the effort to get certain constructive and corrective legislation, and to prevent the passage of certain laws which would be harmful to banks and to the business interests.

The Secretary of the Section has devoted a great deal of his time to affairs of the General Association. He served as Secretary to the Committee of Twenty-five.

As a result of the activities of the Section we are enabled to report a net gain in the past year of 395 members.

The Secretary has made thirteen trips to Washington during the year, and on the occasion of each of these visits he has adjusted with departments of the Government differences that have arisen in the relations of the members with those departments. Before the organization of the Section, matters of this character went to default because the individual member could not afford to send a special representative to the Capitol. The representative of the Section can handle a number of such cases on one trip.

The Section received from the American Bankers Association in the way of appropriation \$7,500. The expenses of the Section were \$7,096.87. The Section returned to the Association \$403.13. The estimated expenses for the ensuing year are \$8,330. Appropriation for that amount will be requested.

National banks are commercial banks and recognize the fact that business at the present time is abnormal and that it is not "business as usual." To safeguard against the changes which must come, sooner or later, they are keeping their assets liquid, believing that with the facilities offered by the Federal Reserve Banks they will be well prepared to meet after war conditions.

Each day brings new opportunities for activity on the part of the Section, and we believe, through close co-operation on the part of the Executive Committee, the Offices, the Vice-Presidents and the members, the Section will render service of a greatly increased value to the banking fraternity during the forthcoming year.

Report of the State Bank Section by John H. Puelicher

MR. CHAIRMAN AND GENTLEMEN OF THE CONVENTION: To take you back to business from the two addresses you have heard just now is a rather difficult task, but the Presidents of the Sections are required to make their reports to the Association.

The State Bank Section was organized at Kansas City one year ago. Its membership today is approximately 7,500 members (Applause). The future membership of this organization must come largely from the State bankers in this country, and that Section, if well governed, is bound to wield a powerful influence in the financial affairs of the Association.

The work which the officers of the Section dedicated themselves to was the securing of amendments to the Federal Reserve Act which would enable State bankers to join the Federal Reserve System with a sacrifice of as few privileges as possible. The Federal Reserve Act as amended takes none of your charter rights and privileges from you as State bankers, but gives you in addition to those rights all the rights and privileges of the Federal Reserve System. The Federal Reserve Act as amended is the greatest piece of financial legislation that has been written into the laws of this country since the adoption of its Constitution. It enables the unifying of the banking system of the United States.

The work before this Section for the coming year is to make known to State bankers generally the privileges which have been secured for them in this direction.

That the Federal Reserve Act as amended is complete and should never be changed is not true. Evolution will change it; as our needs become known it will be further amended. But as it stands today it is the result of the experience of the civilized, the banking experience of the civilized countries of the world, and is a good piece of legislation. The Section has further engaged in activities which will be presented to you later. The activities have been in the care of the Insurance Committee, which will make its report later in this Session. The findings of this Committee were unanimously endorsed by a resolution which was adopted yesterday at the meeting of this Section.

I want to thank the President of the National Bank Section, who in his report said that the national banks have assisted and will continue to assist in pointing out to state bankers who are not members of the Federal Reserve System the advantages of that system.

We State bankers want to study the provisions of the Federal Reserve System carefully, so that if we enter, we may enter intelligently and with the intention of staying in the system.

Some things have been said about the patriotism of State bankers who have not joined the system. We want to feel while we are State bankers, yet in our patriotism and in our devotion to our country there are none more loyal.

Report of State Secretaries Section by S. B. Rankin

MR. PRESIDENT AND GENTLEMEN: There are forty-nine State Secretaries in the Secretaries Section, representing the forty-nine State associations. Within the past year several of the older secretaries have retired and in their places are new men; and while perhaps lacking secretarial experience, lack nothing in energy and willingness. In recent years the State secretaries have kept in much closer touch with each other and with the parent association, and the results of this closer operation and harmonious team work have been more apparent during the past year than at any time previously.

The State Associations stand to the National Association in about the same relative position as the groups stand to their respective State Associations. The mutual benefits especially during present times—of co-operation between the National Association and the State Associations cannot be overestimated. Every State Secretary is coming to realize this fact more and more each year.

We believe that in the not far distant future to be a member of a State Association will require membership in the American Bankers Association, just as membership in a group requires membership in a State Association. Putting these links together is bound to create in a short time a combined force that will not only be invaluable to the whole banking fraternity of our country, but a tremendous channel for various industrial and civil improvements as well. There is, I believe, no other association in existence today that has so many avenues of approach for the welfare of the states and of communities generally.

Many State Associations maintain their own headquarters, with a secretary in charge at all times. They are the ones that direct—not altogether, of course, but to a very creditable extent—their state banking legislation, and through their labor and efforts many banking laws that have greatly benefited banks and bankers have been put

upon the state statute books. As a Section of the American Bankers Association they can and they do add much to its strength and power.

At the spring meeting of the Executive Council a resolution was adopted authorizing the President of the Secretaries' Section to appoint a committee to take a referendum of the members regarding the organization by the A. B. A. of a company, either stock or mutual, to carry fidelity bonds and burglary insurance for its members only. The appointees on that committee were: H. A. Moehlenpah of Milwaukee, as chairman; S. B. Montgomery of Quincy, Ill.; and Secretaries McFadden of South Dakota, Graettinger of Illinois, and Bartlett of Wisconsin. The committee worked hard to secure a full voice and accurate sentiments from the membership, and their report at this convention will be found of interest.

In conclusion, I will state that the financial statement of the Section will be found on page 47 of the pamphlet that is here containing the general reports.

Report of American Institute of Banking Section, by George E. Allen

MEMBERS OF THE AMERICAN BANKERS ASSOCIATION: The American Institute of Banking is now seventeen years old and has spent a liberal amount of your money. Right here I want to let you into a secret, believing that you will all treat it as strictly confidential. Several years ago the appropriation for our Section was based not on a blanket sum each year, but on 75 cents for each member of the A. B. A. We were "bulls" at that time on the Association, and some of the others were "bears," and the fact that the membership has increased 3,000 since that time, and our revenue has increased accordingly, is no fault of ours.

We need all the money that we are getting. We need more, but we are still bulls on the A. B. A., and we believe that your increase in membership which in two years, if not in one year, must reach 20,000, will provide the funds that we need for our purposes.

The Institute now has seventy-nine chapters and 22,043 members. We have 2,490 graduates, and our educational standard will compare, college professors tell me, with any school in the land. We realize that banking in America is changing. Those of you who have been in banking for ten years know the difference between the customs of today and those of ten years ago, and I venture to say that ten years from now what is today considered knowledge will be considered little short of ignorance. We realize that banking is becoming a profession, and it is our ambition, and we are working to that end, to produce a body of men who will keep up with the procession of progress. But there is one thing that we cannot do. We cannot produce a body of men with more sterling character, greater insight and foresight and profounder patriotism than the long line of American giant bankers who have met every emergency that has confronted this country and financed every war in which the country has been engaged from the days of Alexander Hamilton and Robert Morris down to the time of Peter Goebel and his seventeen thousand associates.

Report of Liberty Loan Committee, by Lewis E. Pierson

Acting under the authorization of the Executive Council of the War Loan Committees of the American Bankers Association were formed immediately after the adjournment of the Spring meeting of the council at Briarcliff. The purpose, as expressed in the resolutions of the Executive Council, was that the—

American Bankers Association, through its members and by the use of its official machinery in the General Offices, hereby offers to assist in the patriotic work of selling and distributing the bond issues of the United States Government.

By the same resolution the President of the Association and the Administrative Committee were authorized to appoint such Committees as seemed advisable and the President was also authorized to expend the funds necessary to carry the resolution into effect.

This action of the Executive Council was communicated to the Secretary of the Treasury who replied that he would avail himself of the support and expressed his appreciation of the offer.

The first step toward the execution of the work thus laid out was the appointment of an Executive Committee, composed of the Administrative Committee and the presidents of the several sections, and a General Committee composed of the General Secretary, the General Counsel, the several section secretaries and the Manager of the Department of Public Relations. The President appointed me chairman of the General Committee, and later Mr. Fred I. Kent, Vice-President of the Bankers Trust Company, was made Vice-Chairman.

On this General Committee fell the burden of creating plans and directing the operations. This Committee has its reach extended by the making of numerous committees known as the War Loan Committees of the American Bankers Association. One of these was composed of a man in each Federal Reserve District; another was made up of active and representative men in each state, with the vice-president for the state and the members of the Executive Council as leaders, and with the presidents of all state bank associations included. These committees were further subdivided by groups, counties and congressional districts and, finally, the members of the Reserve District Committee made up a committee-at-large in his district.

These various committees, comprising a total membership of about 1,000 leading bankers, covered the whole country. The line reached from the General Offices in New York through the committees in the reserve districts, in the state and through the state bankers' associations down to the groups and finally to the individual banking units.

This plan of organization was approved on May 9. On May 10 it was in process of execution. On May 11 there was mailed from the General Offices a booklet containing the text of the War Loan Act and the terms and conditions of the bonds to 29,750 banks. This was accompanied by an appeal for cooperation and a statement showing the pressing need for it.

Thus three days after the authorization by the Executive Council and two days after the plan of organization was approved, the work was well under way. It was a complete vindication of the idea that it is much easier to divert an existing organization to a new use than to create a new organization. When the existing organization is made up of those on whom the chief reliance is placed for accomplishing a

given thing, the practicality of it is obvious. The American Bankers Association did exactly what those who promoted the plan, expected and it seems to have done it with much dispatch.

It is not necessary that I go into the details of the operations. The account has been published in the *JOURNAL*. Every man here and every bank represented is familiar with the outcome. Every one of you is an integral part of the organization and every one was a factor in bringing the work to a successful conclusion. The theory in the beginning was that the Association would give help particularly to the country banks. Banks in the cities, through their clearing houses, are already organized. Nevertheless, it was found that the ideas of the General Committee are as useful in the cities and they found applications there and everywhere. But the dominant idea was to point the way for the most efficient cooperation by the country banks, to supply them with the practical plans for organizing their **committees**, for selling the bonds on partial payment plans, for aiding **employers** to get the bonds to their employees. The banks were supplied with publicity material for use in their local newspapers and with copy for posters and advertisements. All these things involved the preparation, printing and mailing of circulars, leaflets, booklets, cards and much other material. Nearly two million pieces of literature of all kinds were sent to the banks of the country in less than three weeks. You will undoubtedly remember that model sermons were prepared by two eminent clergymen; these were in great demand and it is estimated that these sermons and others they inspired were preached in 10,000 churches.

This work was all necessarily done under great pressure. Speed was essential. There was no time for elaborate preparation and neither the time nor the need for long discussion. The General Committee met every demand with expedition.

It is pertinent that I speak particularly of the work of this General Committee and the men who compose it. The success of the whole great undertaking was made easier by the hearty and earnest support of the loyal men who gave their services as members of the War Loan Committees and of the banks, members of the Association and non-members, who responded to every demand.

But the General Committee made up the working force in the General Offices showed an adaptability for this new and strange work, a readiness for the most exacting service and a genius for organization and execution which should be the cause of pride to every man in this Convention. Individually and collectively they took hold of the job with a strong grasp and a complete understanding of the situation and they never let go through five weeks of time in which night and sleep were disregarded.

They did much more than meet conditions as they arose; they anticipated them. They made social and business classifications of the whole population, measured the bond-buying potentialities of each and devised ways for reaching them. They answered innumerable queries from puzzled bankers. They provided special plans for special cases. Their mailing department was never idle. They turned out booklets overnight. They kept a steady current of the best publicity matter produced flowing toward the newspapers and their output of advertising matter was not only unrivaled in quality but was used in thousands of newspapers from coast to coast. They provided picture slides with advertising matter and got them into 15,000 moving picture theaters. They organized a speaking tour of the country and got Dr. Newell Dwight Hillis and Mr. Lawrence Chamberlain to make it. To me it seemed to be not only the greatest demonstration of versatility and capacity the working forces of the Association have ever given but it was positively competent under any test that can be applied.

Upon analysis we will find that perhaps we should not be surprised at what was done. On this General Committee there was, and is, a great diversity of talent. First, the General Secretary, trained in Association work, tried in a hundred struggles, a veteran in his knowledge of bankers and their psychology; the General Counsel, able to show a clear way through legal difficulties and fortified by long experience; a savings bank secretary who was as capable of a hundred other things as attending to the very difficult problem the savings institutions found themselves facing; a trust company secretary to whom was assigned the task of securing, compiling and tabulating the material contained in nearly 9,000 reports from banks; a clearing house and national bank section secretary, to whom was assigned the work of organization but who found abundant opportunity for the play of his other qualities; a state bank section secretary and a publicity man splendidly equipped for efficient service and an expert on printing and purchasing completed the unusual list. The gaps were filled by volunteers of whom I shall mention two—G. B. Bogart, an expert on bonds, and R. F. Ayres, an advertising writer of national reputation. Prompted only by a desire to serve, these two men gave their days and nights to the work.

It must not be concluded that these men confined themselves to any special division of the work. Any one of them seemed able to do anything and do it about as well as anybody else. The ordinary work of the Association was not halted. All the usual things went on as usual. It was the unselfish spirit of cooperation that produced the results. I am proud to be the chairman of that Committee.

There were difficulties. There were irritants, attacks and counter-attacks, but the tale of them would be unprofitable. The history of what was done outside the General Offices is told in the 9,000 reports from members of the War Loan Committees and the banks. It is a marvelous record of trials and successes charged with human interest and loaded with suggestions of the utmost value for the future.

The future work of the General Committee and all the War Loan Committees is now the matter of compelling interest. We are today less concerned with what has been done than with that which is before us to do.

The organization has been kept intact. There has been no necessity for changing it for the purposes of the Association but the situation in other respects has changed. The first campaign for the sale of bonds was hastily organized. It was a volunteer affair. The help of everyone was sought and the initiative was left to anyone who cared to take it. The diverse forces, drawn hurriedly together, tried to work together but it was not always feasible or possible. There was in places a pronounced overlapping of effort and there was no time to correct or harmonize.

Conditions now are different. Experience has taught much. There has been time to coordinate plans. It is settled, therefore, that the

direction of the work of selling the new issue of bonds shall rest in a committee for each Federal Reserve District with the Federal Reserve bank in the position of responsibility. Nationally, the whole organization is under the direction of the Secretary of the Treasury. It is impracticable for the American Bankers Association again to conduct an independent campaign. Efficiency demands the elimination of all waste of effort. It is rather difficult to dovetail the work of a national organization into that which is organized by reserve districts. The identity of the American Bankers Association must be retained and its machinery kept intact so that the many thousands of its members who are not members of the Federal Reserve System may be fully and efficiently enlisted in the support of the Secretary of the Treasury. The scheme of cooperation has been brought to completion by making the chairman of the General Committee a member of the Committee on Distribution of the Liberty Loan Committee in the second Federal Reserve District, and adding to the General Committee two members of the Executive Committee of the Liberty Loan Committee—Mr. A. M. Anderson, of J. P. Morgan & Co., and Mr. E. B. Swezey, of Harris Forbes & Co. To the General Committee has also been added two representatives of banks—Mr. Walter E. Frew, President of the Corn Exchange Bank of New York, and Mr. J. H. Case, Vice-President of the Farmers Loan & Trust Co. Similarly in the other reserve districts the representative of the American Bankers Association has been or will be made a member of the Liberty Loan Committee. Thus a point of contact is everywhere insured and the General Committee, while recognizing no district boundaries, will give its attention to such divisions of the work of bringing the new loan to success as would naturally be assigned to it.

The coming loan is going to call for great efforts. The loan must be the same kind of a success as the last one. The eyes of the world are on us now as they were last Spring. The enemies of our country could hope for no greater victory than the failure or the partial failure of this loan. We can administer to them no greater defeat than its overwhelming success.

Success is not to be had for the wishing. Work and more work, organization and cooperation, are absolutely necessary. The best way of reaching every owner of a dollar must be found and put into execution. The people must be given information. If they don't understand the war they must be made to understand it and our position in it. They must be informed and they must be taught, if necessary, just why these vast amounts of money are needed and why they must provide it. This obligation to teach and lead rests all but exclusively on the banker. The banker is the one to whom the community usually turns for guidance in such matters. If he doesn't know, he must inform himself.

There are some apparently obvious things worth recounting. Money for the prosecution of the war cannot be materialized out of nothing. If it doesn't exist it must be created by credit operations. There is something over four billion dollars of what we term money in the country but it cannot be diverted from its present uses. Bank reserves must be maintained. The circulatory medium in tills and pockets would not go far if it could be diverted. This new loan must, therefore, assume the form of a credit operation. It will be drawn from bank deposits. If the bank deposits are too small to permit such heavy withdrawals—and they probably are—they must be greatly increased. They can be increased only by expanding bank loans.

This expansion, great as it will be, must be made. It can be made with safety through the freest use of the rediscount facilities of the Federal Reserve Banks. The Federal Reserve Board is entirely correct in its position that trade acceptances offer the very best medium for rediscounting, and it is clearly the duty of every banker, and of this Association, to give every aid to the development of the use of trade acceptances in every industry.

A purchase obligation in the form of an open credit is a dead or frozen asset until it is met, but in the form of an acceptance it is a live asset available for rediscount and currency issue.

With trade acceptances in free use here, as abroad, the expansion now before us can be faced with confidence.

In the Federal Reserve System is found the key to the possibilities. It is almost providential that the system is in existence and that there are nearly three years of experience behind it. It is the Reserve System that makes a loan operation of such enormous proportions possible.

The banker owes other duties to the country and to himself. There is really only one source of wealth—production. When war is the great business of a nation, production of those things necessary to success in war is the single aim. Such production must be encouraged, and credit must be extended for that purpose with the greatest liberality. It is through production and increased production that we gain the wealth from which springs the surpluses and the savings.

Before the bankers is a large program. On them rests a momentous responsibility. To aid them in discharging this duty the War Loan Committees of the American Bankers Association are dedicated.

Report of Executive Council

ATLANTIC CITY, N. J., September 24, 1917.

To the American Bankers Association.

GENTLEMEN: The General Convention of your Association was held in Kansas City, Mo., September 25 to 30, 1916.

Immediately following that convention, the Executive Council held two sessions, on September 29 and 30, respectively.

The Spring Meeting of the Executive Council was held in Briarcliff Lodge, Briarcliff Manor, N. Y., on May 7 to 9, 1917.

The *JOURNAL-BULLETIN* of our Association has published full reports of these various meetings; however, the Constitution provides that the Chairman of the Executive Council (representing that body) shall submit to the annual sessions of the General Convention a report of the important official acts of the Executive Council for that part of the year ending with the beginning of the annual session then assembled.

Immediately following the adjournment of the General Convention, on September 29, 1916, the Executive Council met and completed its organization by election of the following officers:

Fred. E. Farnsworth, General Secretary.

E. M. Wing, Treasurer.

William G. Fitzwilson, Assistant Secretary.

Thomas B. Paton, General Secretary.

Sixty-eight members answered the roll call.

By unanimous consent, Mr. Beal reported on behalf of the Committee on Membership, with special reference to several institutions (at present members) not doing strictly a banking business. Discussion followed and a Special Committee on Membership, comprising the regular Committee on Membership and two others (to be appointed by the Chair), was ordered to give consideration to this problem and report at the Spring Meeting of the Council.

The Committee on Nominations reported as follows, the nominees being duly elected:

COMMITTEE ON STATE LEGISLATION, three year term—William H. Peck, Cloud County Bank, Concordia, Kan.; George W. Rogers, Vice-President, Bank of Commerce, Little Rock, Ark.

COMMITTEE ON FEDERAL LEGISLATION, three year term—R. D. Sneath, President, Commercial National Bank, Tiffin, O.; Waldo Newcomer, President, National Exchange Bank, Baltimore, Md.

COMMITTEE ON MEMBERSHIP, three year term—James C. Berger, Cashier, Hamilton National Bank, Denver, Colo.

ADMINISTRATIVE COMMITTEE—Charles S. Calwell, President, Corn Exchange National Bank, Philadelphia, Pa., one year term; Richard S. Hawes, Vice-President, Third National Bank, St. Louis, Mo., two year term.

FINANCE COMMITTEE, three year term—Nathan Adams, Cashier, American Exchange National Bank, Dallas, Tex.; William J. Gray, Vice-President, First & Old National Bank, Detroit, Mich.; E. W. Sinclair, President, Exchange National Bank, Tulsa, Okla. One year term—Robert F. Maddox, Vice-President, American National Bank, Atlanta, Ga. (to fill unexpired term of R. S. Hawes, resigned).

LIBRARY COMMITTEE, one year term—William F. Thayer, President, First National Bank, Concord, N. H. Two year term—S. B. Montgomery, President, State Savings, Loan & Trust Company, Quincy, Ill. Three year term—George E. Lewis, Assistant Cashier, Hanover National Bank, New York, N. Y.

At the opening of the Executive Council Meeting on September 30, 1916, the personnel of the Agricultural Commission was announced as follows:

Joseph Hirsch, Vice-President, Corpus Christi National Bank, Corpus Christi, Tex., Chairman.

J. R. Wheeler, Vice-President, Farmers & Merchants Union Bank, Columbus, Wis.

F. N. Shepherd, Cashier, Empire National Bank, Lewiston, Ida.

B. C. Powell, Cashier, Merchants & Planters Bank, Camden, Ark.

Will. C. Gordon, Cashier, Farmers Savings Bank, Marshall, Mo.

Oliver N. Sams, President, Merchants National Bank, Hillsboro, Ohio.

Fred. W. Hyde, Cashier, National Chautauqua County Bank, Jamestown, N. Y.

The Finance Committee recommended appropriations, through its report, for the fiscal year commencing September 1, 1916, aggregating \$270,050. The various items making up this total were considered singly and approved. The Executive Council subsequently granted additional appropriations of \$3,250.

Approved of amendments to By-Laws of the Trust Company and Savings Bank Sections.

Designated the Batavian National Bank, La Crosse, Wis.; the Continental & Commercial National Bank, Chicago, Ill., and The National Bank of Commerce in New York, New York, as depositories for the year.

Directed the Insurance Committee to continue its work of gathering statistics, to report at Spring Meeting and submit printed report at the next annual convention.

Empowered the Administrative Committee to select State Vice-Presidents for the various dependencies; also, to make all arrangements for the next Spring Meeting.

Atlantic City recommended for due consideration but selection of next convention city left to Administrative Committee.

Gave approval to purchase of the Del Mar Library collection for the Association Library in the sum of \$5,000.

Adopted unanimously resolutions relating to the Liberty Loan of 1917 as follows:

"Whereas, The reported subscriptions to the Liberty Loan of 1917 are now being received, and it is apparent that this and succeeding bond issues can be successfully placed, only through well organized and continuous efforts; and

"Whereas, This success of the Government bond issue depends upon such a wide distribution of the securities offered, that they will pass beyond the banks into the hands of thousands of people who have never bought bonds before; and

"Whereas, It is of vital importance that the reserve of all banks, including the Federal Reserve Banks, be kept in a highly liquid form, to the end that their business may go on and be interfered with to the smallest possible extent by the financial operations of the Government; and

"Whereas, The Treasury Department, the Federal Reserve Board and the Federal Reserve Banks are now organizing for an effective distribution of these bonds; therefore, be it

"Resolved, That the American Bankers Association, through its members, and by the use of its official machinery in the general offices, hereby offers to assist in the patriotic work of selling and distributing the bond issues of the United States Government; and be it further

"Resolved, That we feel sure we can rely upon the active and hearty co-operation of all of the members of the American Bankers Association in this effort to promptly meet the financial wants of the United States; and be it further

"Resolved, That the President and the Administrative Committee are hereby authorized to appoint a committee or committees of such sizes as they deem necessary from the members of the Association, to further the object of the foregoing resolution; further

"Resolved, That the President is hereby authorized to spend the necessary funds required to further the objects of this resolution; be it further

"Resolved, That the President is hereby authorized to transmit the action of this Association to the Honorable the Secretary of the Treasury, in such manner as he may deem wise; be it further

"Resolved, That the Executive Council of the American Bankers Association pledge its unqualified and untiring support to the Government in any avenue in which they might find it necessary to call upon the bankers."

After a full discussion of the Report of the Insurance Committee, passed the following resolution: "That an expression from the members of the American Bankers Association be had by referendum as to the advisability of forming either a stock company or a mutual company, controlled by the members of the American Bankers Association, to protect its members on the insurance risks of bankers, members only; and that an auxiliary committee to be appointed by the President of the Secretaries Section be authorized to secure this expression from the membership, and report at the next annual convention to be held in Atlantic City. President Rankin of the State Secretaries Section subsequently named as the Insurance Referendum Committee: H. A. Mochlenph, Wis., Chairman; S. B. Montgomery, Ill.; W. C. McFadden, N. D.; H. A. Graettinger, Ill.; and George D. Bartlett, Wis.

Authorized Administrative Committee to prepare an amendment to the Constitution legalizing the Federal Legislative Council.

Appointed Mr. F. C. French of Omaha, Neb., to vacancy on Committee of Twenty-five vice W. H. Bacholz, deceased.

Directed Administrative Committee to prepare amendments to By-Laws to allow banks of Central and South America to have A. B. A. Vice-Presidents in their respective districts.

Accepted the collection of coins, etc., presented by Col. Alexander Del Mar.

After a full discussion, directed that the Proceedings of the Association be published in limited edition and directing that the Association membership be circularized; the members to fill out coupon and return indicating whether or not they desire copy of said Annual Proceedings.

Approved motion that By-Laws and Constitution be amended to permit of Vice-President of the Association becoming a member of the Administrative Committee. This was considered peculiarly desirable, inasmuch as the Association's Vice-President is Chairman of the Finance Committee.

Approved of recommendation of Finance Committee and made effective at once increases in annual dues as follows: Former \$30 class increased to \$40; the \$40 class increased to \$50; the \$50 class increased to \$65, and the \$75 class increased to \$100.

Approved of recommendation for the organization of a State Legislative Council by the Committee on State Legislation.

Approved of proposed amendment to By-Laws of Clearing House Section as submitted.

Under authority of the Council, Chairman Goebel named as a General War Loan Committee of the Association the following:

Lewis E. Pierson, Chairman of Board, Irving National Bank, New York City, Chairman.

Fred. I. Kent, Vice-President, Bankers Trust Company, New York, Vice-Chairman.

Fred. E. Farnsworth, 5 Nassau Street, New York, Vice-Chairman and Secretary.

Wm. G. Fitzwilson, 5 Nassau Street, New York, Assistant Secretary; Thomas B. Paton, A. D. Welton, George Lewis and Secretaries Allen, Mershon, Thralls and Harrison of the General Offices. Messrs. R. F. Ayers and Gilbert B. Bogart, experts in advertising and publicity and bond sales, volunteered their services and were added to the Committee. Every member of the Committee rendered valuable and untiring services for the success of the Liberty Loan of 1917.

Your President also named as delegates to represent our Association to the War Convention of the United States Chamber of Commerce, held in Atlantic City the week preceding our convention the following:

Lewis E. Pierson, Chairman of Board, Irving National Bank, New York.

William A. Law, President, First National Bank, Philadelphia, Pa. Walter M. Van Deusen, Cashier, National Newark Banking Company, Newark, N. J.

Col. H. B. Wilcox, Vice-President, Merchants-Mechanics First National Bank, Baltimore, Md.

Appointed as Committee on Nominations—Messrs. Hoskins, Sinclair and Swift.

Approved and recommend for adoption by the Convention the Resolution of Mr. Charles A. Hirsch, see page 22, official programme.

Approved and recommend to the convention for adoption the proposed amendment to constitution relating to Vice-Presidents in foreign countries in North, Central and South America. Also, amendment relating to Committee on State Legislation and State and Federal Legislative Councils. Also, amendment as to the rearrangement of groups.

Approved and recommend to the convention the following resolution: That it is the sense of the American Bankers Association and we hereby request the Secretary of War, Mr. Baker, to reconsider his decision of not allowing the establishment of banks at the various army cantonments.

Passed the following resolution: That the Executive Council recommend to the coming convention that the Insurance Referendum Committee be continued and made a convention committee and be increased by adding to its present membership the outgoing and the incoming Presidents of this Association; and, further, recommend to the Convention that the Committee be authorized and directed to prepare such plan of organization as it may find necessary and desirable for securing the most satisfactory bank burglary, fidelity and surety insurance at as near cost as may be found compatible with safety and good service; and make report thereon with its recommendations to the Spring Meeting (1918) of the Executive Council, to be first approved by the Executive Council before submission to the next annual convention.

Approve of the appointment of a committee of three on extension of Trade Acceptances to co-operate with similar committees from the United States Chamber of Commerce and National Association of Credit Men.

Respectfully submitted,

P. W. GOEBEL,
Chairman Executive Council.

Detailed Report of Proceedings

FORTY-THIRD ANNUAL CONVENTION, HELD AT ATLANTIC CITY, N. J., SEPT. 27-28, 1917

FIRST DAY'S PROCEEDINGS.

MORNING SESSION.

Thursday, September 27, 1917.

P. W. GOEBEL, President, presiding.

FREDERICK E. FARNSWORTH, General Secretary.

Young's Pier, Atlantic City, N. J., 9:30 A. M.

THE PRESIDENT: Before calling the Convention to order formally, I desire to present to you Governor Walter E. Edge of New Jersey, who is compelled to leave in a few minutes, to say a few words of welcome to you.

Address of Welcome, by Walter E. Edge, Governor of New Jersey

Mr. President and Delegates to the American Bankers Convention:

I am very sorry that another engagement makes it absolutely imperative that I leave Atlantic City at 10 o'clock. I am sorry simply because I would like to have time to say something real to you. I believe I am on the program to give you a note of welcome. I have observed through the public press that you have been in Atlantic City for the past two or three days, and I am quite sure that a note of welcome at this time is hardly necessary, because if you have not already experienced the hospitality of Atlantic City and New Jersey, I am quite positive I can't accentuate any by words of mine.

We at the present moment judge all the conventions coming to Atlantic City, and many of them select this delightful spot for their deliberations. Practically all of these conventions are doing the same thing—resolving themselves into a patriotic body, as it were—organized body to do their bit and to offer their cooperation to help solve the one great big problem we are now facing; and I cannot conceive of any delegation of men representing any other profession who can and who have already demonstrated their ability—their opportunity—to be in the firing line in the country's defense.

I said last evening at a small dinner that the American Bankers had organized the first army of the country—the army of the American dollar—and while it may sound lightly, I don't mean it that way, because in my judgment the way this war is going to be won is by the industrial and commercial organization of our business men, prepared to back up those men we are sending abroad.

We are not in the war for the purpose of waging war. We are in the war to bring about, we hope, an everlasting peace. We are in the war not for accretion or for conquest, but simply because we feel we owe the duty to the civilized world at large, to our ancestors and to the countries that have been embroiled for over two years, and because in the midst of it our rights have been more or less trespassed upon. It has been a wonderful demonstration to us men in public life to see the readiness and willingness of this country, made up of all the countries of the world—and everything American. It has been splendid to see their eagerness—not only readiness, but their eagerness—to do their part.

You bankers, in the flotation of the last loan, demonstrated that you are ready unselfishly to put the forces of your organization back of the Government in that most necessary part of our responsibility. I don't doubt that in your present convention you are again prepared to organize for precisely the same purpose, and I hope the Government—I have no criticism to make of the National Government—it has been a tremendous problem—but I do hope that the Government will realize thoroughly the interest and willingness of America's captains of industry and finance to do their part, and will invite them into the closest councils of government, and not simply accept their patriotic efforts in a more or less disorganized way.

It is a war of business organization, and if we can impress that upon every class of our citizenship, especially those in authority, as we are trying to do in New Jersey—we have invited the strongest men in our State to the councils of our State government, to help solve these problems, and I would love today to tell you, if I had time, of some of the things we have already accomplished. And the same thing of the others of the forty-eight States—all of them in one big unit of American government. If they would take those men in conference and recognize them as a real part of the Government and not simply as a council of defense, but a real part in directing and helping to solve these problems, the wonderful influence abroad will do much toward winning this war.

I am glad indeed to have this very brief opportunity to see you men assembled here. I hope that your deliberations will not only be a great benefit, which I know they will, to the National Government, but of individual help to you in your own responsibilities.

We welcome you to Atlantic City, we welcome you to New Jersey, we welcome you to the beautiful city by the sea, that affords at one time hospitality, health, wonderful hotels, delightful environments; and we are quite sure that your deliberations will be helped by the ozone qualities of the sea air over the sea and over the beach, and that you will return to your various communities all the more inspired and determined, while you are attending to your own private affairs, you are joining the great army of American business men, prepared to defend American honor and the American flag.

THE PRESIDENT: The Forty-third Annual Convention of the American Bankers Association will now be in order. Let us rise and stand while the Rev. Dr. Miles invokes the blessings of God.

(All rise.)

THE PRESIDENT: Ladies and gentlemen, it gives me great pleasure to introduce to you the Honorable Harry Bacharach, Mayor of Atlantic City, who will speak a word of welcome to you.

Address of Welcome, by Harry Bacharach, Mayor, Atlantic City, N. J.

Mr. President, Gentlemen of the Convention, Ladies and Gentlemen:

I am placing my watch there (on the presiding officer's table) not only to prove to you that I have one, but what is more important to you gentlemen, that I shall not talk too long, and also I want to prove to you the implicit confidence I have in your President.

After the address of welcome by Governor Edge of New Jersey, I feel very much in the same position as a little incident reminded me of which occurred the other day. When I am not busy as Mayor of this city I am, like most of you, an ordinary common president of a bank, and I endeavor to separate the two positions as much as possible, having those who want to see me on banking business come to the bank, and those on city business come to the city hall; but the other day one of our colored constituents came to the bank to see me and said:

"Mr. Mayor, I am here on an important mission." And immediately he commenced to tell me of the very good qualities that Sheriff Johnson of our city had.

I said: "That is very interesting, but what is your important mission?"

He said: "I want to borrow \$100 from you." And then he commenced to recite again the fine qualifications and qualities of Sheriff Johnson.

I said: "I agree with you about the good qualities of Sheriff Johnson, but I see no reason why I should loan you \$100, as I recall you were not particularly favorable to me."

He replied: "When Sheriff Johnson was with you, I was with you, and when the Sheriff was against you, I was with the Sheriff."

I said: "That's very nice; suppose I were to loan you this \$100, how would you pay me back?"

He said: "That will be easy, Mr. Mayor; you have only to give me a political job and I will pay you back." (Laughter.)

I said: "My friend, you are entitled to something for your shrinking modesty."

I got out a blank note form and I said: "Sheriff Johnson is a friend of yours?"

"Yes," he said, "Sheriff Johnson is one of the best friends I have; he will do anything in the world for me."

I said: "You take this little note to the Sheriff, and as a mere matter of form ask him to put his name on the back of it, and I will give you the \$100."

He came back in about half an hour, all smiles. I said: "Well, is everything right?"

He said, "Yes, fine!" He said, "The Sheriff said to me you should be ashamed to ask the Mayor for \$100. You have never been a true friend of his. I have been your friend for the last twenty years, and I want to lend you that \$100. You go to the Mayor and ask him to put his name on the back of this"—and he handed me the note. (Laughter.)

I am convinced that after the remarks of Governor Edge that after your stay in our city, that any praise by any city official would be to you gentlemen a mere matter of form. Not only are the American Bankers Association's members welcome to Atlantic City, but in every City and State of the country you are welcome because by your loyalty you have proved to the people of the country that there is no more loyal and patriotic body of men than the American Bankers of the United States. But I esteem it a special privilege to be here today to welcome you in behalf of our great city.

In 1903 it was my privilege to accompany Judge White to California and endeavor to get you to meet in Atlantic City in 1904. Our slogan at that time was: "Distribute your favors from shore to shore—San Francisco in 1903, Atlantic City in 1904."

You came in 1907. At that time, you gentlemen will remember, I had the pleasure of addressing you. My speech of welcome must not have impressed you so well, as it has taken you ten years to get over it. (Laughter.)

We are proud of many things in Atlantic City. We are especially proud of the fact that the young man who addressed you this morning, 25 years ago he sold newspapers upon our streets, and by his own efforts became one of the most successful bankers and business men of our city, and the people have honored him by making him the Governor of our State, and he is the best Governor New Jersey has ever had. We are proud of our magnificent boardwalk, six miles long and 100 feet wide, where 250,000 promenade at one time; where you will not see one case of intoxication, or anyone acting in a disorderly manner. We are proud of the fact that any woman, unescorted, could promenade our walk from early morning until late at night and know she will not be accosted or molested by anyone.

You gentlemen who have come from the Pacific Coast perhaps have an ocean that is most wonderful, but I am satisfied that we have the best ocean in the world. The ocean in Atlantic City, when it is calm—there is nothing like it; and when it is rough there is no rougher going, and when we have a warm ocean, it is really warm, and when it is cold, it is very cold; so you see, we have an ocean to be proud of!

But we are proud also of the fact that we have 91 life-guards protecting people who go in bathing; and this summer over 5,000,000 were in that ocean bathing, and at one time over 100,000; and yet we have not had a single loss of life by drowning this summer.

We are proud of our 50 miles of hard surface streets, cleaner, we believe, than any other city in the country. We are proud of our hotel and our hotel management, where a man can come to Atlantic City with the humblest purse, and he can come here even if he is a Cabinet Minister and get his pocket-book satisfied through the wide range of choice in the matter of hotels.

And we are proud also that around Easter, from a city of less than 25,000 we grow in 24 hours to 300,000, and every person is fed and housed better than in any other city in the country.

We have many things to be proud of, but I am sure the least of these cannot be called the financial institutions.

Nine of our financial institutions have assets of over \$32,000,000, which have done more for the upbuilding of our city than any other group of men. They have loaned money not because a man had money, but on his moral stability; and there is no bank in Atlantic City, I am satisfied, when it has loaned only to Atlantic City people, that has lost a dollar. Our hotels and our business houses have practically all been built because our bankers have much confidence in our citizens, but above all we have a patriotic and loyal body of citizens. We are not only America's playground and America's greatest convention city, but we have also what we think should be the most patriotic and most loyal citizens in the United States.

We feel that in this great crisis every man, woman and child must do his bit. We believe it is the duty of everybody to either fight or pay. We believe and we feel confident that if this great world's war is to be won, as it surely will be won, it will only be won by the boys of the United States carrying the Star Spangled Banner into France, and so we believe there is something else to do besides talk and sing "My Country, 'Tis of Thee." All of which is inspiring, but what the boys at the front need is to have conscience clear and to know that the mothers and sisters and wives and daughters at home who are making the sacrifice, to see that these loved ones at home are properly taken care of, and in Atlantic City we have organized Liberty clubs, in which every citizen can become a member at one dollar a week. And we are taking care of the parents and the wives and the sisters of the boys who have gone to the front.

And in this great playground of ours, after next Tuesday, this playground of the world, where there is nothing but pleasure, we will have sent 1,000 boys to fight our country's battles, and they are going with a clear conscience, knowing that those who stay at home are taking care of their loved ones. And if every community will do that, we do not have to wait for the United States Congress to take any steps. And if we all do our part now, we will send our boys away happier, and make their victory more glorious.

Mr. President, now on behalf of the bankers of Atlantic City, in behalf of all our citizens, I want to present to you the key of our city as far as the citizens are concerned, and the key to the hearts of all of our citizens, and as for the bankers, there is a "key" to their vaults, which is in your custody and you can give it to the right members if they run short of money. And I hope your stay will be a pleasant and profitable one, not only to yourselves and ourselves, but to all the people of these United States.

Response to Address of Welcome, by Prest. P. W. Goebel

And if the ladies, Mr. President, who are with you to-day, do not seriously object, I want to assure you that tonight at least curfew will not ring.

Honorable Mayor, in behalf of the American Bankers Association I want to sincerely thank you for your hearty and patriotic words of welcome.

It is certainly inspiring and uplifting, ladies and gentlemen, when during these times of stress every address teems with patriotism. The old-fashioned levity has disappeared from our proceedings, and every thought is connected with the wonderful task before this country, the task of freeing the world from autocracy.

We have enjoyed our stay here, Mr. Mayor, more than I can tell you. The friendliness of your City, the magnificent deportment of everyone living here or who visits here is a striking example of what the Mayor has said about your beautiful City. We certainly appreciate the handing of this key to me, as the representative of the Association, and especially not only the key to the City but this key to the bank vaults, because, judging from my experience, I think all the boys will need to use it before they leave. (Laughter). And from what the Mayor has said to us, you won't have to go to the Sheriff to get your checks endorsed. (Laughter).

Annual Address of the President, Peter W. Goebel

This is one of the most eventful years in the history of nations. If we have not made progress, we have made haste. I think we have made progress. It is surely progress when exigency demands that we make the wisest and most economical use of our resources. It is perhaps strange that this mighty war has not yet added anything of importance to the list of human discoveries and inventions. In the past fifty years there have been many—more than it was possible to adapt to practical uses. There has been a demand for new things, for new appliances of various kinds. Inventive genius has been stimulated by offers of rewards. Men and governments have been eager to try anything of promise, but, as yet, nothing has been forthcoming. It is as if the world had been saturated with products of human ingenuity and there was need to wait for new ones until we have learned to use wisely those which we have. So we are learning under the pressure of war new lessons in adaptability, in economy, in thrift, in production; we are learning how better to use our soil, our mines, our factories, our railroads, our ships, our men, our money and our credit.

We have much to learn yet. We are far from the goal, but we seem to me to have gotten beyond the novice stage. We seem to be moving forward now with steadiness and precision. If we have learned our first lesson well, we shall continue to move in that manner to final victory, victory over the common enemy of the world and victory—a greater victory—over our indifference, our wastefulness, our greed and ourselves. It is only with confidence and pride that we can watch the march of events—the disappearance of the differences that divided us, the gradual but steady converging of the lines that mean a people as well as a nation united firmly and forever in loyal adherence to democratic principles.

This most eventful of years in the history of nations has also been the most eventful in the history of the American Bankers Association, and the most active. Banking has been subject to all the influences that affected other lines of business endeavor. The misgivings and uncertainties have touched us all. Precedents have been discarded,

traditions have been cast aside and we have gone on adapting ourselves to new and strange circumstances with a surprising and gratifying readiness. Our Association has also shown remarkable adaptability. Not only has it attended to its routine of affairs, but it has gone afield and found new work to do for the common benefit.

These activities of the Association have been participated in by every section, department, commission and committee. It bespeaks the universal nature of the demand upon us when we find in the work of war something to which every effort can be made to contribute. Each of these divisions of the Association has had its own problems, its own particular work to do, but, in this year, each has been bound to be interested in all the others. Never has the spirit of co-operation among the sections and departments been closer or finer. The proof is found in the continually increasing roll of members. Apparently there was as much reason a year ago as now why the thousand new members should be old members. The reasons which caused this gratifying increase may be many. The spirit of co-operation is expanding and business men are coming more and more to recognize it, but I prefer to believe that the great reason for the successful year lies in unification within. Every unit inside the Association gains power and impetus from the fact that it is a part of the larger organization and the larger organization moves with greater force to the discharge of its functions because the work can be divided and assigned to those best equipped technically to perform it.

At the Convention in Kansas City a year ago, the State Bank Section was formed. This completed the number of Sections authorized by the constitution. There was a belief held by many that this section would find difficulty in justifying its existence. Unlike the other sections, its members had apparently nothing in common except a sort of negative interest due to their independence of the National Bank Act. They were organized under varying laws and subscribed to varying rules. It was perhaps natural, therefore, to assume that they could not move with a common purpose toward a well defined goal. Happily, this assumption was unfounded. The Section has some great achievements to its credit and there is much more for it to do. It was largely due to its efforts that the amendments to the Federal Reserve Act were molded and vital obstacles in the way of state banks entering the system were removed. The Federal Reserve Board and Congress were presumably willing to accede to the wishes of the state banks, but they could not get authoritative information as to what the wishes of the state banks really were. The State Bank Section could and did supply such information, and the result was speedy and satisfactory.

The youngest of the Sections is also the largest in point of enrollment, and its officers are most alert and active in devising and in applying ways to increase its usefulness. Its members represent the utmost in banking democracy and they are all finding the Section organization is broadening their vision, giving them a better grasp of the duties that fall to this great class of banks, which, numerically, is the greatest and probably the closest to the people.

The older sections of the Association have to their credit the satisfaction of a successful year. Their work is naturally specialized and finds its best expression in technical service to members. Their officers have been active and far sighted, ready to serve the Association as well as their Sections, and their secretaries have met not only the usual demands made upon them, but they have been constant and indispensable contributors to the success of the unusual and difficult enterprises in which the Association, as a whole, has been engaged.

In the general offices of the Association, conditions have been most satisfactory. Co-operation is the watchword. In a general way, the work done by assignment is far from the limit of the operations. Every secretary and department head is well informed as to the work of the Association and interested in its progress and welfare.

This has been brought about in large measure by the institution of an Office Conference. This conference held its first meeting last winter, and the results have been most satisfactory. It brings the heads of all the departments into close relationship. At the meetings, which are held fortnightly, or oftener if necessary, each man reports to the conference the things on which he is engaged. He may ask for advice and have the benefit of a free discussion with his associates. In this manner, the judgment of the whole force is secured on matters of policy, and the result has made for mutual aid and a better and broader understanding. The staff in the general offices is an integral force working in complete harmony and co-operation.

The departments, under the stimulus of opportunity, have kept their work up to the usual level and increased the service they render. The legal department, under wise guidance, continues to be the one court to which bankers may resort with confidence that the advice they receive will be sound. The others have their individual problems, but their operations have given much satisfaction to the officers who keep in close touch with the detailed affairs of the Association.

THE JOURNAL of The American Bankers Association speaks for itself. Through monthly reading, the members are all familiar with its scope and quality. I wish to express my unqualified approval of it. It seems to me that in the last twelve months it has shown even further improvement and made new and stronger appeals to its readers. It has been filled with information and interesting articles and it has been particularly apt in its treatment of the great financial problems growing out of the war. It is more widely read than ever before and certainly more widely quoted. THE JOURNAL has made a place for itself and I know the members share with me the pride I feel in the publication.

The Agricultural Commission has had an unusual opportunity to demonstrate its usefulness in stimulating the production of field and farm. Under the pressure of an unprecedented demand for farm products, many organizations have been formed to aid in the increase of foods. Fortunately, this Association had in existence a commission well organized and experienced and under the direction of an enthusiastic and able leader. With half the world facing famine conditions, it is obviously necessary that every possible force be turned in the direction of food and devote itself to increasing the products of the farm. Much has been done this year. There is much more to do. I think that when the final accounting takes place it will be found that the Agricultural Commission of the American Bankers Association

has discharged its full duty and that hunger was made less a menace because of its work.

The question of fidelity, indemnity and burglary insurance, always a matter of great interest to bankers, has been given a new aspect by the efforts of the advocates of some form of mutual insurance by the banks themselves. The position and progress of this idea will be made plain by the discussion here. I venture no opinion at this time as to the feasibility or desirability of this or any other insurance plan. The proposals, however, have broadened the scope of the insurance problem and mark a distinct departure from the kind of work to which the Insurance Committee has devoted long and earnest study. This Committee has secured results of great value to members of the Association and it has pointed the way for the saving of thousands of dollars. By patient investigation and the careful collection and compilation of information, the Committee has put the Association in an advantageous position for negotiation or acting, and little need be left to guesswork in the event of any innovation.

At this point, I desire to acknowledge the courtesies extended and the able assistance rendered to me during the year by all the officers of the Association and of the various State Associations. It were idle to mention names, as every one has done more than his full duty, willingly and intelligently.

The convention at Kansas City authorized the appointment of "The Committee of Twenty-Five." The authorization came in the form of a resolution, adopted at a meeting held by the Country Bankers. The immediate purpose to be served by the appointment of this Committee was to have a delegated body which was to promote and secure, if possible, by amendment of the Federal Reserve Act or interpretation of its provisions as applied, the annulment of the rule for the so-called compulsory par collection of checks.

The undertaking of the Committee involved the use of unusual powers of management and diplomacy. The fact that it has failed to achieve its exact purpose is not to be construed as proving lack of earnestness or capacity. The Committee's secretary, Mr. Thralls, on whom fell the burden of the detail work and the strategy, labored with untiring energy. The members of the Committee collaborated. There was no member of Congress who was not made fully aware that the Committee was on the firing line and well supplied with ammunition of every variety.

The history of the legislative struggle needs no repetition here. There was a defeat but no victory. The provision of the law which provided the payment of checks at par has been succeeded by one permitting "reasonable charges, to be determined and regulated by the Federal Reserve Board." The interesting question now is what the Reserve Board will do. It is obviously possible for the Reserve Board to redeem a situation which is particularly disagreeable to Country Bankers by giving the law a liberal application, an application which will show sympathy with the case as it was presented by the Committee of Twenty-Five, and forbid criticism by aiming to correct the abuses of the old system without imposing penalties or forcing unbearable losses.

At this writing, the Federal Reserve Board has not issued regulations as to charges for check collections or given any indication of its intentions in this regard, but there lies before it a clear opportunity to heal the wounds and remove what can be regarded only as a grim obstacle to the expansion of the country's banking system into a unified whole.

The Federal reserve system, not only as a protection against panic, but as an operating banking scheme, having a position in the financial doings of the day, has been the bulwark of the country in these eventful times. I shudder to think of what would have inevitably happened if we had been at the mercy of the old banking system. During the past year, and especially since the declaration of war, the reserve system has given a new demonstration of its ability to insure financial peace.

To the Federal Reserve Board every banker has looked with confidence. The Board is charged with great responsibilities, but the bankers are not relieved of their share of the obligation because the Board exists. The members of the Board have unusual opportunities to secure information and to study conditions. They have made liberal regulations. They have made rediscounting easy. They urged the amendments to the Reserve Act which have proved of decided advantage. The privilege of borrowing against eligible paper as collateral for fifteen days has been of the greatest convenience and is perhaps more extensively used than the rediscount privilege.

The change in reserve requirements has caused much discussion. The fear of an undue credit expansion and a currency inflation is frequently expressed. Under the existing conditions, it seems to me that both credit and currency expansion are necessary. We are all inclined to measure the possibilities in such a case by the disastrous experiences that attended expansion or the need for it under the old system. We must remember that we now have the machinery by which the tendency to expansion can be controlled, and we have watchmen. Under any plan of banking, confidence must be placed in some human element. No automatic system for the regulation of credit has yet been devised; none is possible. The situation, as I view it, is perfectly safe, provided we exercise good judgment and requisite care. We now control the system. It no longer controls us.

There may be danger in the change in reserve requirements, but it has not yet manifested itself. Here again I feel that the application of sound judgment and foresight is more important than fixed percentages of reserves or liabilities written in the law. If experience shows that bankers generally haven't sound judgment, the reserve provision can be readjusted. It is our job to keep our banks sound, and I am not yet willing to believe that we are not able to do it.

The reserve banks should be used by and receive the support of every banker. It is our system, and the greater use we make of it, the stronger it will be. We make our banks stronger by adding to the strength of the reserve system. It is, therefore, my opinion that state banks, particularly those whose business is chiefly commercial, will find their way, one by one, into the system. It must be so because self-protection is a powerful motive, quite powerful enough without the aid of patriotism. As it is now, the state banks are the beneficiaries of a stability to which they do not generally contribute.

All the banks of the country have extraordinary duties to perform in these trying times. They have assumed these new tasks willingly. One of them is to assist the government in the sale and distribution of war loan bonds. This duty naturally falls to the banks. The banker

is the financial adviser of his community. To him the people turn even when the government calls and patriotism dictates. The financial machinery is under his control. So when the Secretary of the Treasury called on the banks to assist in floating the two billion dollar Liberty Loan issue, the banks, with scarcely any exception, devoted their entire energies to the task and greatly aided in the achievement of the splendid success of that campaign.

This first campaign for the sale of Liberty Loan bonds came suddenly upon us. No one had had any experience in such a matter. It was plain that new organizations could not be made in an instant. The American Bankers Association was already organized. Its staff was familiar with the ways of banks and knew how to reach them quickly. Fortunately, the spring meeting of the Executive Council came at the right time. The Council approved the suggestion that the machinery of the Association be used to aid the government in floating the bonds. The results of the effort have been told in more than 8,000 reports received from banks, of which 2,700 were not members of the Association. It is apparently the unanimous verdict that the American Bankers Association gave timely and effective aid.

There was no appropriation out of which to pay the cost of such a campaign. The Executive Council authorized the President of the Association to use its funds for this purpose and secure them either by anticipating new receipts or by selling securities.

The cost was \$20,000. I think the expenditure was one of the best the Association ever made. It was effective assistance to the government and it was good education for our members and those who are not members. I feel confident the Convention will ratify the action of the Council in this regard.

The American Bankers Association stands ready to give the government similar assistance in the flotation of future bond issues. The organization should not again undertake to finance such activities and it will probably not be necessary. The Federal reserve banks, as the governmental agencies for selling and distributing war loan bonds, have had experience and ample time in which to perfect organizations for this purpose. The Association will cooperate with them in every way possible. There are undoubtedly some things the Association can do better than any other organization, and it remains only to have these things assigned to it as its work in aiding to raise funds to carry on the war.

The loan operations of the government are in proportion to its vast military operations. We have undertaken not only to pay our own bills, but to advance funds to our allies. It is idle to give figures. They are incomprehensible. So far, the funds advanced have been expended in this country. Soon the payment of the troops will call for large expenditures abroad. The food and munitions for our armies will not be paid for by others. To supply these necessities, production must be greatly increased. It is obvious that we must change our ways if we are successfully to perform that which it is set for us to do. We must stop skimming off the cream and use all the milk.

There is only one source from which the government can get money, that is, the people. The only way the people can produce the funds with which to supply the government is by thrift. Thrift means economy, but it does not necessarily mean deprivation. It means the wise and wasteless use of our resources. It applies as well to the employer of labor as to the wage-earner. It demands the effective use of machinery, of soil, of mines, of forests and of men. We need thrift in the productive processes as well as in consumption. Thrift means greater production as well as wasteless consumption, so we must save and become more competent.

The business of this country is war. Business not directly necessary to war must be, at least, incidental to it. It is no time to consider new enterprises. However profitable one may appear, unless its immediate purpose is to increase the chance of success in war, it had better be postponed. We need no new and untried methods in either business or banking. The matter of first importance is that bankers should have their institutions fully equipped and ready to meet extraordinary as well as ordinary demands upon them.

The banks are obligated not only to look after the commercial needs of their customers, but also to assist them to a full participation in all government loans. In the last analysis, it is only through the banks that bond issues can be successfully placed. The banks have, therefore, to bear this new responsibility in addition to all the others.

Soon after the declaration of war, the following proclamation was printed in the JOURNAL of the Association, over my signature:

"KEEP YOUR POWDER DRY

Patriotism is the common heritage. It is a truism that the people are devoted to their country and to its success in any undertaking. Bankers, by spoken word and concrete act, have shown their patriotism. They are ready to contribute of their resources, their energy and their experience to the common cause.

But the great emergency the country now faces demands much more than the promise of sacrifice. Wisdom is needed as well as courage. In every community bankers share in business leadership. Their counsel is sought by thousands. More than on those engaged in other lines of endeavor is it incumbent upon them to guide public thought, support public confidence, prevent public error and hold the people to ways of sound thinking and wholesome living.

In everything that pertains to business economy, prudence in enterprise and wise and efficient management, the banker owes a new and stricter duty to himself and the country. He must keep his bank liquid and his funds free, and he must do it without diminution of accommodation to his customers. Speculative ventures must be discouraged and productive enterprise must be nourished. It is well always to consider the effect of each banking operation on the general condition.

The members of the American Bankers Association have been put to many tests. No previous demand on them measures up to the one now made. On proper financing and good management depend success. The nation has the resources. It is necessary only to use them wisely and efficiently.

KEEP YOUR HEADS CLEAR AND YOUR POWDER DRY

Every word of that statement is still good, as applicable now as last May. The liberal extension of credit for all constructive enterprises is absolutely essential. For the banker to withhold credit, when

the credit is to be used in production, is near treason; it is giving aid and comfort to the enemy; it is impairing the chance of success in war. The extension of credit for the sake of profit or for speculative purposes is almost as vicious as its refusal for productive enterprise. Feeding a speculative fever cannot fail to have an after-war effect, the trouble sure to follow might leave its tracks for a century. I do not wish to prophesy. Just what may happen after the war no man knows; but we do know that if we follow sane rules, if we keep our banks clean and liquid now, the inevitable after-the-war effects will be more easily handled.

Let us have no misunderstanding as to what liquidity now means. In these days it means something more than quick assets. It means the possession of a good proportion of paper eligible for rediscount at the Federal reserve bank, both by member and by non-member banks. No bank should hesitate to have recourse to the rediscount privilege. Reliance must be placed on the reserve banks. They are there to be used.

Within the year, the bankers of the country have extended the range of their operations still farther into foreign lands. More branch banks have been established and the progress made brings the assurance that the development of our foreign trade will not be handicapped by lack of banking facilities.

In this connection, it is pertinent that I refer to the plan of the International High Commission to stabilize exchange in Pan-American Commerce. In addition to its comprehensive plans for the reform of administrative regulations and a uniform commercial law for the Americas, the Commission has proposed an international gold clearance fund, guaranteed by treaty and similar in policy to the gold clearance fund of the reserve system. The treaty-draft has been submitted to the American governments. It provides for a uniform exchange standard and expresses the hope that the contracting governments will adopt a gold guarantee system based upon a unit weighing .33 grams of gold nine-tenths fine. This unit was approved at a meeting of the Pan-American Financial Conference as a "Pan-American franc," an international money of account for use in this hemisphere. Such a franc would be exactly one-fifth of a dollar and not the franc of France.

I commend to the bankers that they keep in close touch with the work which the International High Commission has set for itself. The Commission has offices in the Treasury Building in Washington and detailed information as to its work may be had for the asking.

Bankers, like other citizens, are keenly interested in the conduct of government, and particularly in the unusual variations from fixed principles which the war has made necessary. Astonishing things have been happening in Washington: Conditions have made it imperative that the government, both by law and executive authority, assume an active participation in business or undertake its control and regulation. The fixing of prices as a means of stimulating production and preventing extortion, the control of food supplies to insure economy and fair distribution, the direction of transportation and the building and managing of ships are all new and strange ventures for this government; all find their justification in war conditions. War is a hard master. It permits neither choice of means nor delay of action. We may resent these unusual encroachments of government on private rights, and in this resentment is protection. It gives the assurance that our submission is temporary and the return to normal conditions will bring with it the surrender of these unusual powers.

Competent management of these new enterprises of the government necessitated the commandeering of men of training and experience. The people of the country should feel proud of the response that business men of large interest have made. None has been backward. Partisanship has had no place. Impelled by a desire to serve the nation, these men turned themselves over to the President for orders and went to work. So fine has been the conduct of those called that it is almost uncomplimentary to say it is no more than every man's duty to relinquish his private affairs and give himself to the government, but it is with pride and gratification, nevertheless, that we survey the situation.

The officers of the government, on whom rests direct responsibility, have worked constantly with these great specialists in business. The contact between them and the relations between two groups of men, often antagonistic, are bound to react for the enlightenment of both. From the business man, the government has learned much about business, on which legislation and regulation exert such an influence. From the officers of the government, the business men will get new ideas of the trials and difficulties which beset the chosen servants of the people. The two should work together, as they are now working together, continuously hereafter.

Out of this new understanding, I feel that great benefits will come—a feeling of greater tolerance and more sympathy toward business and a better understanding by business men of the views of those who think we have not yet attained perfection in our commercial methods and ideals.

The railroads were the first of all the great economic forces to organize themselves for the service of war. They readjusted their schedules, forgot profit and turned themselves to the great task of maintaining transportation and insuring the distribution of commodities whose quantity was unprecedented.

The railroads have been most patriotic, but it seems to me that the real lesson is found in the lack of railroad facilities, in the failure to have a reserve which would permit the railroads to meet the emergency. Despite the great efforts of the masters of transportation, the greatest difficulty is found in moving commodities. The long campaign of repression is bearing bitter fruit. The situation bespeaks the need of justice for the railroads, of fair rates, of liberal treatment and of the summary discontinuance of persecution.

The conduct of the people of the country has been exactly what we would expect. On them, on the home, falls the great burden. It is in the hearts of the people that we must look for the final assurance of success in every venture, and in their hearts now we find the confidence of victory. The people must supply the soldiers, support the charities, maintain the Red Cross, do the saving, furnish the labor and pay the bills. The army and navy are filled with volunteers, the draft of men was accepted without trouble, the training camps for those ambitious to lead overflowed. The first Liberty Loan was oversubscribed. Lawns were turned into gardens. Production has been greatly increased. The boys are drilling. The girls are knitting.

Everything is as it should be with the people. They look with patience and hope to the leaders who will devise the ways and provide the means to secure the return of peace.

Peace seems a long way off, but whether it comes this year or next, or years hence, it will be unworthy the name if it is not the peace of victory. To the victory we desire and are going to have, we need not look with a blush of shame. We desire no conquests of land or men. Now, as in the past, we seek only freedom for those enslaved and more freedom for ourselves—the right to go unmolested where commerce leads us, where we may exchange what we have for what we want; the right to gain knowledge from others and implant in the hearts of men the desire for virtue, truth and righteousness. Our consciences are clear and our duty is plain. Each one must do the best that is in him in whatever position he is placed. To the home we owe devotion, to the country, loyalty; to ourselves adherence to the ideals of the Republic. We cannot fail.

(The President, continuing):—In this connection I wish to add a word which does not appear in the printed address: That is, that the after-war problems will be much more easily solved if at the end of the war we have the least possible amount of goods on our shelves to be in competition with the goods of other nations; if we have the least amount of wheat and other grains in our elevators and storehouses which will inevitably then come into competition with the enormous stores of wheat now lying dormant in Australia and India because of lack of shipping facilities; and so I say the least we have of those commodities to come into competition with the products of other countries at the close of the war, the sooner the readjustment will be accomplished.

Gentlemen, before I call the next speaker, I wish all those present would secure seats, and as this is a large hall I ask you to be as quiet as possible, and I hope especially that some one will remain on duty at the door to prevent noise there.

The time has arrived when the Hon. Wm. G. McAdoo was to have addressed this Convention. It was impossible for him to be with us today, so Governor Strong kindly agreed to take the place of the Secretary this morning, and the Secretary will take the Governor's place tomorrow morning. He will positively be here.

In my annual address, ladies and gentlemen, I spoke of the fine spirit of patriotic sacrifice made by so many of our prominent business men; but after all this is not a new thing. Bankers have been in the habit of going that for the last fifty years or more in this country. A striking illustration of patriotic sacrifice was shown four years ago at the inauguration of the Federal Reserve System, when one of the greatest bankers of this country gave up his private banking interests in order to become Governor of the Federal Reserve Bank and thus be instrumental in shaping this great system for the benefit of all the people. It was a tremendous sacrifice for this gentleman to give up his private interests, but he did it cheerfully; and it certainly gives me a great deal of pleasure—yes, I consider it a great honor, to present to you Governor Strong of the primary Federal Reserve Bank of the United States.

Hon. Benj. Strong, Jr. (Governor Federal Reserve Bank, N. Y.).—I thank you for what you have said, Mr. President, not in my behalf, but on behalf of my associates in the Federal Reserve Bank.

"War Finance and the Federal Reserve System," By Benjamin Strong, Jr.

[Mr. Strong's address will be found on pages 101 to 105 of this publication.]

BENJAMIN STRONG (In continuing): I would like to digress for one moment to refer to this question of economy in savings. You have read or heard the addresses delivered by those who are interested in the conservation of the country's food supply. You have heard from Mr. Blackett, of the British Treasury, what Great Britain has done in promoting safety and economy. I am going to take the liberty of making a suggestion to you bankers as to what immediate contribution you can make to promote the kind of economy in the United States that will be required if we are to succeed in handling our Government loans. I would illustrate it by the statement that was made me last Winter about a city in the Middle West, where great fortunes were being made out of Government orders, foreign Government orders. There were twenty-three new houses being built in that city being made by newly made rich men, costing from two hundred and fifty thousand to one million dollars apiece. I have no doubt those men were doing that without regard to what it meant, and at that time this country was not engaged in war, but some of those men are going to send their sons to Europe in our army. They do not realize that the possibilities of their boys coming home safely will be materially reduced by shortening the war, and shortening this war is possible if we put our entire energy in our war preparations at the start and not at the finish.

My suggestion is that every bank officer in this country take the pains to ascertain for what purpose his customers are borrowing money. You bankers have a great influence with your customers, particularly when they want loans, and one word of suggestion that will arouse the patriotism of your customers is the right kind of spirit of cooperation. I believe all that will be needed is that unnecessary loans should be discouraged, and those loans that are made by our banks should be increasingly those that are needed in order to promote the production of things that the Government needs.

PRESIDENT GOEBEL: Now, gentlemen, I hope you will remain seated. Your ladies are perfectly comfortable; don't worry about them; we will get through in good season for lunch-time, and I hope every one of you will stay and not leave while there is anyone speaking. I am going now to introduce the most popular American banker, G. M. Reynolds of Chicago, who will speak to us on "Business in War Times."

"Business in War Times" by George M. Reynolds

[Mr. Reynolds' address will be found on pages 106 to 109.]

PRESIDENT GOEBEL: Gentlemen, we will now take an adjournment until 2 o'clock this afternoon, at which time we will take up the balance of the program—the proposed amendments to the constitution.

(Recess to 2 P. M.)

AFTERNOON SESSION.

2 P. M.

PRESIDENT GOEBEL: The Convention will be in order. The only matters left over from the forenoon session are the proposed amendments to the constitution. The chair recognizes Mr. Beal.

PROPOSED AMENDMENTS TO CONSTITUTION.

MR. THOMAS P. BEAL, JR., of Boston, Mass.: I am sorry that Mr. Treiman is not here, as he is the chairman of the Membership Committee, to which the first proposed amendment relates. We had a meeting last spring and we felt that it was wise to introduce to the Executive Council the resolution which has been printed in the program. The Executive Council approved that resolution. But conditions have changed since then as we all know and for many reasons it has seemed wise to withdraw that resolution. We held a meeting here this week and determined to ask for the withdrawal of that resolution, deeming it wise that there should be no amendment made to the constitution on the subject of membership.

MEMBERSHIP AMENDMENT WITHDRAWN

We have also talked with Mr. Wexler, and he has authorized me to ask that if this resolution is allowed to be withdrawn that his resolution be also withdrawn, and that the constitution in respect of membership remain as it is at present.

PRESIDENT GOEBEL: The gentleman from Boston asked unanimous consent to the withdrawal of the amendments to which he has referred. Unless there is objection they may be withdrawn. The chair hearing no objection, it is so ordered.

VICE-PRESIDENT ADDED TO ADMINISTRATIVE COMMITTEE.

The next amendment proposed is the addition of the Vice-President to the Administrative Committee. This is a proposition that I introduced, because it seemed wise that the Vice-President ought to be fully conversant with all of the affairs of the Association when he is elected the President. I might say that this amendment has received the approval of the Executive Council.

MR. MASON: I move that the amendment providing for the addition of the Vice-President to the Administrative Committee be adopted.

MR. FRED W. HYDE, of Jamestown, N. Y.: I second the motion.
THE PRESIDENT: All in favor of the motion will say aye; opposed, no. The ayes have it, and the amendment is adopted.

AMENDMENT REGARDING VICE-PRESIDENTS IN NORTH, CENTRAL AND SOUTH AMERICA ADOPTED.

The next proposed amendment is in regard to Vice-Presidents in foreign countries in North, Central and South America. This is simply a proforma amendment so that we may appoint honorary Vice-Presidents in those several countries.

MR. JOHN T. DISMUKES, of Jacksonville, Fla.: I move the adoption of that amendment.

MR. S. B. RANKIN, of Columbus, Ohio: I second it.
PRESIDENT GOEBEL: All in favor of the motion will say aye; opposed, no. The ayes have it, and the amendment is adopted.

AMENDMENT ADOPTED RESPECTING COMMITTEE ON STATE LEGISLATION AND STATE AND FEDERAL LEGISLATIVE COUNCILS.

Next is the amendment in respect to Committee on State Legislation and State and Federal Legislative Councils. I will ask the General Counsel of the Association to explain this proposition to the Convention.

MR. THOMAS B. PATON, of New York City: Mr. President and Members of the Convention. The object in view in this proposed amendment is fourfold. First, to create a Federal Legislative Council as an adjunct to the Federal Legislative Committee. For two years there has been in existence such a council, though without official sanction. It consists of one member in each state. It has been found that the work in each state in respect of federal legislation in all legitimate ways has been very effective. One object of these amendments is to put in constitutional form the Federal Legislative Council as an adjunct to the Federal Legislative Committee. The second object provided for is that the Federal Legislative Council shall be the body that can determine by referendum ballot the legislative policy of the Association in any emergency arising between sessions of the Executive Council and sessions of the General Convention. It frequently happens that some measure of importance affecting the banks is introduced at Washington which should be either favored or opposed, and there is a great necessity in this Association that there be some sufficiently representative body to consider that at the moment and determine what the policy of the Association shall be in regard to it. This amendment creates the Federal Legislative Council as such a body, it being composed of one representative of the Executive Council in each state, making it thoroughly representative. The third amendment adds to the Committee on State Legislation six new members, it having been determined that the different branches of state legislation can best be served by subdividing that committee and assigning to the different branches the different parts of the work. The fourth and final object of these proposed amendments is to create a State Legislative Council as an adjunct to the committee on state legislation; that being similar to the Federal Legislative Council. This will give the Association a representative in each state to handle matters of state legislation and will enable it to do more effective work.

PRESIDENT GOEBEL: Gentlemen, now that you have heard the explanation of Mr. Paton, what is your pleasure?

MR. D. S. KLOSS, of Tyrone, Pa.: I move the adoption of the amendment.

MR. JOSEPH HIRSCH, of Texas: I second the motion.
PRESIDENT GOEBEL: All in favor of the motion will say aye; opposed, no. The ayes have it, and the amendment is adopted.

ADOPTION OF AMENDMENT INCREASING DUES.

The next and last proposed amendment is in regard to an increase of dues. This has been considered by the Executive Council and it was approved by them at the Briarcliff meeting after full discussion. The high cost of living has had its effect upon the Treasury of the American Bankers Association, and for that reason it has been deemed best to recommend a slight increase in the dues. I will ask Vice-President Hingsch, the chairman of the Finance Committee, to explain just what these increases in the dues amount to.

MR. C. A. HINSCH, of Cincinnati, Ohio: Mr. President and Gentlemen.—The dues of those members who pay ten dollars, twenty dollars, and twenty-five dollars remain unchanged. Those paying forty dollars—442 of them—their dues are increased. It provides for an increase from \$13,260 to \$17,680. Those paying fifty each—167 in number—are ranged so that they will produce an increase from \$6,680 to \$8,350. Those paying sixty-five—541 in number—are increased from \$25,000 to \$35,000. Those paying \$110, their dues are raised so that they amount to \$11,000. This produces, on a total membership of 16,640, \$17,000. I move the adoption of the resolution to increase these dues.

MR. MASON: May I rise for information, to inquire if the increase in dues—as suggested by the Executive Council, which I am always in favor of sustaining—provides for this year's expenses or do we use part of it for last year's deficit?

PRESIDENT GOEBEL: We hope that it will be sufficient to pay something on the deficit of last year.

MR. MASON: I had in mind that if it was not sufficient, that we ought to make it so. I second the motion that has been made by Mr. Hingsch.

PRESIDENT GOEBEL: All in favor of the motion will say aye; opposed, no. The ayes have it, and the amendment is adopted.

ADOPTION OF AMENDMENT RE-ARRANGING STATE GROUPS.

I find that there is one more amendment, namely, an amendment providing for a re-arrangement of groups. At present states that have less than 100 members of the A. B. A. have no representative on the Executive Council as such. Also they are put into different groups. In the southwestern group two or three states have raised their membership to 100 and over, and they are entitled to their own special representative. For that reason it has become necessary to place the States of Nevada, Utah and Wyoming into one group. What will you do with this amendment, gentlemen?

MR. JOHN T. DISMUKES, of Florida: I move its adoption.

MR. MASON: I second it.

PRESIDENT GOEBEL: All in favor of the motion will say aye; opposed, no. The ayes have it, and the amendment is adopted.

Next in order is the Report of the Trust Company Section.

REMARKS OF FRANK W. BLAIR OF TRUST COMPANY SECTION.

MR. FRANK W. BLAIR, of Detroit, Michigan: Mr. President and Gentlemen of the Convention.—The Trust Company Section reports with much pleasure a year of great activity and progress culminating at this Convention in two of the most interesting sessions in its history. The constructive work accomplished throughout the year was made clearly apparent in the report submitted by various officers and committees. The discussions which have taken place have been most helpful and enlightening, and we commend for your thoughtful perusal a full report of our Twenty-second Annual Convention which will be published in full in the next issue of the proceedings of this Association. The new and re-elected officers of the Section are as follows:

President, Frank W. Blair, President Union Trust Company, Detroit, Mich.

First Vice-President, John W. Platten, President of the United States Mortgage & Trust Company, New York City.

Chairman Executive Committee, Lynn H. Dinkins, President Interstate Trust & Banking Company, New Orleans, La.

Secretary, Leroy A. Mershon, New York City.

PRESIDENT GOEBEL: This report will be received and placed on file, in the usual course. The next report will be that of the Savings Bank Section.

REMARKS OF JOSEPH R. NOEL FOR SAVINGS BANK SECTION.

MR. JOSEPH R. NOEL, of Chicago, Ill.: Mr. President and Members of the American Bankers Association.—It is becoming increasingly evident that the field work of the Association is largely performed by the Sections. The activities of the Savings Bank Section are, we believe, of vital importance to the A. B. A. As one of the functions of the Section the nationwide thrift campaign, inaugurated six years ago and since then persistently promoted, has borne much good fruit. As a preparedness for war measure, the campaign has been invaluable. It is a work which should be continuously promoted with vigor and energy throughout the period of the war. It is sincerely hoped that the General Association will further the campaign among all the banks of the country to insure greater savings, added production, and the elimination of waste, to the end that the Government of the United States may bring to its aid every possible agency to provide the sinews for the successful prosecution of the war. This Section has made a very interesting study of the railroad situation, as it affects over \$1,700,000,000 railway securities held by the banks of the country. The result of the study was to have been presented to the Newlands Committee at Washington, in pursuance of a resolution adopted at the Kansas City Convention. However, the material is being utilized for publicity purposes in the writing of articles for economic journals, some of which have already appeared. The problem of possible future heavy withdrawals of savings deposits from banks has been thoroughly discussed by the various committees of the Section, and we are preparing for any emergency. The Section has been in close touch with all matters that would tend to disturb the savings banks, and has endeavored to properly advise the most desirable course of action.

There will be plenty of work scheduled for the Savings Bank Section during the coming year. Such subjects as: The War and Great Need for Increased Savings, Studies in Connection with the Care of Securities

held by Savings Banks, the compiling of a new book of forms, the establishment of school savings banks, the encouragement of the organization of new savings departments, and watching legislation detrimental to savings interests.

The membership of the Savings Bank Section continues to increase. Since 1910 when our membership was 1,773 we have grown to 3,822, an increase of about 125 per cent. During the past year we have had a net gain in the Section of 252 banks. This includes associate members and voting members. We have 2,442 voting member banks and 1,380 non-voting member banks. We hope that next year will be a banner year for new enrollment and new members of this Association. We will do our part to make it so.

The Section has received three appropriations from the Association, amounting in the aggregate to \$11,869.31. That, together with miscellaneous items placed to the credit of the Section in the general office, makes total credits amounting to \$12,129.85. The expenditures for the year aggregate \$12,086.61, a large part of this being for last year's Convention expenses and book of proceedings. The balance to the credit of the Savings Bank Section amounts to \$43.24. We have requested an appropriation of \$9,489.92 to care for our needs during the coming year.

PRESIDENT GOEBEL: The report will be received and filed. Next we will have the report of the State Secretaries' Section.

REMARKS OF S. B. RANKIN FOR STATE SECRETARIES.

MR. S. B. RANKIN, of Columbus, Ohio: Mr. President and Gentlemen.—There are 49 state secretaries in the Secretaries' Section, representing the 49 state associations. Within the past year several of the older secretaries have retired and in their places are new men who while perhaps lacking secretarial experience lack nothing in energy and willingness. In recent years the State Secretaries have kept in much closer touch with each other and with the parent association, and the results of this closer operation and harmonious team work have been more apparent during the past year than at any time previously.

The State Associations stand to the National Association in about the same relative position as the groups stand to their respective State Associations. The mutual benefits—especially during present times—of cooperation between the National Association and the State Associations, cannot be overestimated. Every State Secretary is coming to realize this fact more and more each year.

We believe that in the not far distant future to be a member of a State Association will require membership in the American Bankers Association, just as membership in a group requires membership in a state association. Putting these links together, is bound to create in a short time, a combined force that will not only be invaluable to the whole banking fraternity of our country, but a tremendous channel for various industrial and civil improvements as well. There is, I believe, no other association in existence to-day that has so many avenues of approach for the welfare of the states and of communities generally.

Many state associations maintain their own headquarters, with a secretary in charge at all times. They are the ones that direct—not altogether, of course, but to a very creditable extent—their state banking legislation, and through their labor and efforts many banking laws that have greatly benefited banks and bankers have been put upon the state statute books. As a Section of the American Bankers Association they can and they do add much to its strength and power.

At the spring meeting of the Executive Council a resolution was adopted authorizing the President of the Secretaries' Section to appoint a committee to take a referendum of the members regarding the organization by the A. B. A. of a company, either stock of mutual, to carry fidelity bonds and burglary insurance for its members only. The appointees on that committee were: H. A. Moehlenpab, of Milwaukee, as chairman; S. B. Montgomery, of Quincy, Ill.; and Secretaries McFadden, of South Dakota; Graettinger, of Illinois, and Bartlett, of Wisconsin. The committee worked hard to secure a full voice and accurate sentiments from the membership, and their report at this Convention will be found of interest.

In conclusion, I will state that the financial statement of the Section will be found on page 47 of the pamphlet that is here containing the general reports.

PRESIDENT GOEBEL: The report will be received and filed. Next we will have the report of the American Institute of Banking, by the educational director, Mr. George E. Allen.

REMARKS OF GEORGE E. ALLEN FOR AMERICAN INSTITUTE OF BANKING.

MR. GEORGE E. ALLEN, of New York: Members of the American Bankers Association.—The American Institute of Banking is now seventeen years old and has spent a liberal amount of your money. Right here I want to let you into a secret, believing that you will all treat it as strictly confidential. Several years ago the appropriation for our Section was based not on a blanket sum each year, but on 75 cents for each member of the A. B. A. We were "bulls" at that time on the Association, and some of the others were "bears," and the fact that the membership has increased 3,000 since that time, and our revenue has increased accordingly, is no fault of ours.

We need all the money that we are getting. We need more, but we are still bulls on the A. B. A. and we believe that your increase in membership, which, in two years, if not in one year, must reach 20,000, will provide the funds that we need for our purposes.

The Institute now has 79 chapters and 22,043 members. We have 2,490 graduates, and our educational standard will compare, college professors tell me, with any school in the land. We realize that banking in America is changing. Those of you who have been in banking for ten years know the difference between the customs of to-day and those of ten years ago, and I venture to say that ten years from now what is to-day considered knowledge will be considered little short of ignorance. We realize that banking is becoming a profession, and it is our ambition, and we are working to that end, to produce a body of men who will keep up with the procession of progress. But there is one thing that we cannot do. We cannot produce a body of men with more sterling character, greater insight and foresight and profounder patriotism than the long line of American giant bankers who have met every emergency that has confronted this country and financed every war in which the country has been engaged from the

days of Alexander Hamilton and Robert Morris down to the time of Peter Goebel and his seventeen thousand associates.

PRESIDENT GOEBEL: This report will be received and filed. We will suspend further reports now, as the time has arrived to listen to the speakers of the afternoon.

As we know each other better we love each other more. As we begin to know the people that make up the nations that are allied with us in the struggle for democracy, we love those people more. It has been unfortunate that we have not been in closer touch with our allies, and it is fortunate indeed that we are getting away from that condition and that prominent men, missions, have come here to get acquainted with us and to give us an opportunity to get acquainted with them.

One of the greatest of living Englishmen is with us to-day; a man who has done more to arouse the British Empire from its lethargy and make it the magnificent fighting machine that it is to-day than any other man; a man who has the courage of his convictions, and who was, five years before this war started, able to point out that it was sure to come; a man who is not only the editor and proprietor of that great newspaper, the *London Times*, but numberless other newspapers; and, above all, a man who knows the needs of the Allies, including the United States, to-day. I deem it a high honor to present to you Lord Northcliffe.

"How Long?" by Lord Northcliffe, Chairman British War Mission to the U. S.

[We print Lord Northcliffe's address in full on pages 110 to 112.]

PRESIDENT GOEBEL: On behalf of the American Bankers, Lord Northcliffe, I thank you for coming here and addressing us.

One of the most distinguished educators in the world is now going to speak to us upon *A Changing World*. I present to you Dr. Nicholas Murray Butler, President of Columbia University, of New York.

"A Changing World," by Dr. Nicholas Murray Butler

[Mr. Butler's address appears on pages 112 to 113.]

THE PRESIDENT: Gentlemen, I desire to recognize Mr. George, of Illinois, who has unanimous consent to introduce a resolution at the present time. Are there any objections. The chair hears none. Mr. George has the floor.

PRaise FOR FRANK A. VANDERLIP.

MR. GEORGE: Mr. President, and gentlemen of the Convention, with the consent of your President I rise at this time to offer a resolution, one that has to do with the acts of a man that it has been my pleasure to know as a boy and as a youth; a man whom you have known in his full manhood, a man who has in the last few days shown his patriotic spirit and his love for his country. The resolution is as follows:

RESOLUTION.

WHEREAS, In this hour of supreme trial to our nation, which threatens its very life, the call for men to defend our flag and uphold our institutions has met with a splendid response, and the machinery necessary to equip and maintain the mighty host which has rallied to the country's call, is of prime importance; be it

Resolved, That the action of Frank A. Vanderlip in leaving his most important position in civic life to give his time and all of his ability to his country in her need, is most commendable and we wish him God-speed in his generous and patriotic course.

(Prolonged applause).

THE PRESIDENT: All in favor of the adoption of the resolution will please rise.

THE PRESIDENT: Resolution is adopted unanimously.

Gentlemen, do not leave the Convention hall as we have much business to transact this afternoon, and I expect to clear up the budget before we quit, but we will get through in ample time. We have but two days to transact the business of this great Association—but it must be transacted, so I ask you to remain in your seats and take part in the winding up of the business of the day.

The next on the program is the report of the National Bank Section, which will be presented by Mr. Calfee.

MR. CALFEE: Mr. President, and Gentlemen of the Convention.—I take great pleasure in submitting the following report:

Report of National Bank Section

[This report will be found on page 128.]

THE PRESIDENT: If there is no objection, the Report of the National Bank Section will be received and filed.

We will next have the report of the State Bank Section, which will be presented by Mr. Puellicher.

REMARKS OF JOHN H. PUELICHER FOR STATE BANK SECTION.

MR. JOHN H. PUELICHER: Mr. Chairman and gentlemen of the Convention.—To take you back to business from the two addresses you have heard just now is a rather difficult task, but the Presidents of the Sections are required to make their reports to the Association.

The State Bank Section was organized at Kansas City one year ago. Its membership today is approximately 7,500 members. The future membership of this organization must come largely from the State Bankers in this country, and that Section if well governed is bound to wield a powerful influence in the financial affairs of the association.

The work which the officers of the section dedicated themselves to was the securing of amendments to the Federal Reserve Act which would enable State Bankers to join the Federal Reserve System with a sacrifice of as few privileges as possible. The Federal Reserve Act as amended takes none of your charter rights and privileges from you as state bankers, but gives you in addition to those rights—all the rights and privileges of the Federal Reserve System. The Federal Reserve Act as amended is the greatest piece of financial legislation that has been written into the laws of this country since the adoption of its Constitution. It enables the unifying of the banking system of the United States.

The work before this section for the coming year is to make known to state bankers generally the privileges which have been secured for them in this direction.

That the Federal Reserve Act as amended is complete and should never be changed is not true. Evolution will change it; as our needs become known it will be further amended. But as it stands today it is the result of the banking experience of the civilized countries of the world, and is a great piece of legislation. The Section has further engaged in activities which will be presented to you later. The activities have been in the care of the Insurance Committee, which will make its report later in this Session. The findings of this Committee were unanimously endorsed by a Resolution which was adopted yesterday at the meeting of this section.

I want to thank the President of the National Bank Section who in his report said that the national banks have assisted and will continue to assist in pointing out to state bankers who are not members of the Federal Reserve System, the advantages of that system.

We State Bankers want to study the provisions of the Federal Reserve System carefully, so that if we enter, we may enter intelligently and with the intention of staying in the system.

Some things have been said about the patriotism of State bankers who have not joined the system. We want to feel while we are State bankers, yet in our patriotism and in our devotion to our country there are none more loyal. (Applause.)

THE PRESIDENT: I am going to recognize Vice-President Hinsch, who asks the unanimous consent to introduce a resolution as this time. Is this consent granted? The Chair hears no objection.

VICE-PRESIDENT HINSCH: Mr. Chairman and Gentlemen.—It seems to me to be an appropriate time to introduce the resolution I am about to present, and which has a bearing upon the splendid report which you have heard made by the President of the State Bank Section, a man who is more responsible than any other banker in this country for the recent amendments made to the Federal Reserve Act which has made the Federal Reserve System attractive to State Bankers. Governor Harding yesterday afternoon gave us a very illuminating address upon the subject, and pointed out clearly the need of strengthening the financial structure of this country by admission into the system of all banks of all classes eligible to membership. You heard this morning the splendid address of Governor Strong on this subject and also the patriotic address of President Butler, so it seems fitting to offer the following resolution:

CAMPAIGN COMMITTEE TO SOLICIT NON-MEMBER STATE BANKS TO JOIN FEDERAL RESERVE SYSTEM.

Resolved, that there be appointed a committee of not less than five from the membership of the Association to be known as the Federal Reserve Membership Campaign Committee, whose function shall be to conduct a campaign in each state or Federal Reserve District among non-members of the Federal Reserve Banks to procure all such banks to join the system, to the end that the resources of the country may be effectually mobilized, and it shall be the duty of such Committee of five or more to appoint such Committees and sub-Committees in each state or Federal Reserve District as in its judgment will best serve the end in view.

I move the adoption of this resolution.

MR. MASON: I would like to heartily second that motion. The Trust Company Section is a very fertile field, more fertile today than ever before; and I believe that in due course the vast majority of the Trust Companies will be members of the greatest banking system this country has ever known.

THE PRESIDENT: The question is on the adoption of the resolution presented by Vice-President Hinsch. All in favor say "aye," opposed "no." It is carried.

VICE-PRESIDENT HINSCH: I have another resolution:

PATRIOTIC RESOLUTION IN SUPPORT OF GOVERNMENT

I move that the President be authorized to appoint a Committee of Five, to prepare and submit to the Convention resolutions giving expression to the patriotic sentiments of the Delegates and of our approval of the policies and hearty support of the Government in their efforts to bring about a successful termination of the War, and such other resolutions as in their judgment may properly be presented to you for consideration.

I move the adoption.

(Motion seconded and carried.)

THE PRESIDENT: I will appoint on that committee, Mr. Jos. Wagar, Mr. H. P. Mosely, Arthur Reynolds, Theodore Smith and Stoddard Jess. The next is the report of the Currency Commission.

Report of Currency Commission

The chairman of this Commission is not here, and we will have the pleasure of hearing from the Honorable J. B. Forgan, of Chicago, whom we have missed for the past few years.

THE HON. J. B. FORGAN (Chicago): Mr. Chairman and Gentlemen.—In the absence of the Chairman of the Commission no formal report can be made, nor in fact is any necessary, as nothing of sufficient importance in connection with currency legislation has developed during the past year to necessitate a meeting of the currency commission. It has been felt that as long as the Federal Reserve currency system continues to develop, and to serve its purpose as well as it is now doing, there should be no interference with it. The Federal Reserve Board under whose faithful and intelligent supervision the Federal System is developing so satisfactorily, have made all the necessary recommendations for change in the original Federal Reserve Act that so far have been found necessary; and Congress has acted promptly on their recommendations. The financing of the war and protecting the financial and industrial conditions thereby produced, will put the Federal Reserve System to an earlier and much more severe test than was ever anticipated. It therefore behooves us all to enter into the most hearty and patriotic cooperation with the Federal Reserve Board in making the system as strong and as powerful as possible. This can best be accomplished by the state banks doing a commercial business, coming into the System now and doing their share in developing its strength by mobilizing in it the gold reserves they are now carrying in their vaults, where they will be found to be of little use to them or to the country under the strain that is inevitably coming on our resources.

PRESIDENT GOEBEL: We will next have the Report of the Insurance Committee, Mr. Parker.

Report of the Insurance Committee

[This report appears on page 128.]

WALDO NEWCOMER, Baltimore, Md.: Mr. President, this report is so extremely satisfactory and shows such excellent work on the part of the committee that it seems to fully justify not only the committee's existence, but to justify all the expenditure they have made, and I think to let that committee go now, or in any way interfere with their work, would be a positive catastrophe to this body; and I therefore want to move the adoption of their report, and the continuance of the same committee. (Applause.) (Seconded.)

M. J. DOWLING, Minnesota: I move you as a substitute—

PRESIDENT GOEBEL: Will you allow the Chair to make a remark? The motion must be confined to the continuance of the committee and the adoption of the report. We have on our regular program on Friday the appointment of Committees. It is a constitutional provision. My judgment would be that the better plan would be simply to move to receive the report of the committee and file it, and then, at the proper time, take up the matter of the continuation of the committee.

M. J. DOWLING, Minnesota: Mr. President, that is just what I was rising to make a point of order on, or make a substitute motion. That is a substitute motion, that this report be received and placed on file.

WALDO NEWCOMER, Baltimore: I accept the substitution.

PRESIDENT GOEBEL: Gentlemen, will you accept the substitute motion that the report be received and placed on file? Are you ready for the substitute? All those who favor the substitute will say Aye. The Ayes have it, and the substitute motion prevails.

Gentlemen, the next on the program is the report of the Executive Council. Immediately after this report, which will only take a few minutes, the most interesting report that will come before this convention will be made—the report of the Liberty Loan Committee by Mr. Pierson of New York, the Chairman, and I hope everyone of you will stay.

The Constitution of the American Bankers Association provides that the chairman of the council make an annual report of the doings of the council, and for that reason I desire to submit the following:

Report of Executive Council

[We print this report on page 130.]

PRESIDENT GOEBEL: That is the report of the Chairman of the Executive Council. There are a number of recommendations in this report of the Convention that should be taken up separately.

APPROPRIATION FOR LIBERTY LOAN CAMPAIGN ENDORSED.

O. N. SAMS, President Merchants National Bank, Hillsboro, St. Charles, O.: I have one motion that I desire to make in relation to one thing referred to there in your report, namely that with reference to the Liberty Loan. I desire to move, Mr. Chairman, that the action of Executive Council appropriating twenty thousand dollars for the use of the President in the administration of the Liberty Loan campaign on the part of the American Bankers Association be most heartily confirmed and ratified. I think it is without question the most timely and commendable and praiseworthy act that this Association has done during the period of the year; and therefore, I move that that action and the conduct of the President, and his excellent and efficient work in connection therewith, be most heartily approved.

R. S. HAWES, Third National Bank, St. Louis: Second that.

PRESIDENT GOEBEL: Gentlemen, you have heard the motion that the action of the Executive Council in making the appropriation of the necessary funds, and of the President in issuing them, be ratified and confirmed. Are you ready for the question? The Ayes have it and the motion prevails.

In this connection, gentlemen, I desire now to call upon Chairman Pierson to make the report of the Liberty Loan Committee of the American Bankers Association.

Report of Liberty Loan Committee

[This report will be found in full on pages 129 to 130.]

L. E. PIERSON: I would like to say here, gentlemen, as one who was in rather close touch with the general offices of the association for three years, in 1907-8-9, and who lost touch with that organization in its development, it was a positive revelation to me to go in there and find the genius and efficiency which exists at the general offices at this time.

PRESIDENT APPOINTS A COMMITTEE ON TRADE ACCEPTANCE.

PRESIDENT GOEBEL: Now, if you will just favor us about twenty minutes longer, we can complete our day's program nicely and have a quorum present. In connection with Mr. Pierson's report, which certainly is a very fine one, I desire to announce a committee on Trade Acceptances, which is to work with similar committees of the National Credit Association of the National Chambers of Commerce. I appoint on this Committee—three experts—Messrs. Freeman of New York, Woodruff of Illinois, and Wayne of Pennsylvania.

Now, gentlemen, Mr. Wayne is not a member of the Council, and I ask the unanimous consent of this Convention to authorize me to name him on this Committee. Do I hear any objection? There being none, it is so ordered and carried.

Now, gentlemen, the next thing in order is the report of the Executive Council and the recommendations therein contained. You have ratified one, and perhaps there are one or two more than need your attention.

PRESIDENT AUTHORIZED TO APPOINT COMMITTEES TO FRATERNIZE WITH OTHER ORGANIZATIONS.

PRESIDENT GOEBEL: You will notice that the President appointed committees during the year to attend conventions of similar bodies to our Association. Our constitution does not provide for this specifically, and for that reason it might be wise if this convention approves, that we shall work in harmony with other similar bodies of the United States, that the action of the President in appointing these various committees

be approved, and that the incoming President also be requested to appoint similar committees whenever in his judgment he deems it necessary.

R. S. HAWES, St. Louis: I so move you, Mr. President.

PRESIDENT GOEBEL: Gentlemen, you have heard the motion. The motion is that the action of the President in appointing these various committees—which almost invariably pay their own expenses—be approved, and that the incoming President be authorized to appoint these committees from time to time, as he may deem wise in his judgment. Are you ready for the question? It is carried.

BANKS AT MILITARY CANTONMENTS.

Here is a resolution recommended to this body by the Council, and it is in regard to banks at the military cantonments. It seems, gentlemen, for some reason which I do not know, the Secretary of War has decided not to have any banks at these cantonments. The matter was taken up by the American Bankers Association informally at the request of some two hundred banks in the neighborhood of these cantonments. It is not a question of any one bank going in there and getting a monopoly. Almost invariably the banks in the vicinity have offered to go together and put a bank in there, so that the soldiers might deposit their savings, or remit their funds home to their own people, and this resolution simply requests the Secretary of War to reconsider his decision. Now, if you desire to consider this resolution, a motion would be in order to refer that to the committee on resolutions. It has been moved and seconded that this be done. Are you ready for the question? The motion is carried.

REFERENDUM ON INSURANCE.

Now comes the resolution in regard to the continuation of the insurance referendum committee, and making this a committee of the convention, in place of a committee of the Council. Our constitution says "A special order of business, entitled 'Committee and Committee Memberships' shall be placed on the annual program at the session of the General Convention under which order action shall be taken, until the Committee is discharged," etc. You will find on Friday morning, Committees and Committee-memberships. If the Convention desires to take this matter up and consider it as recommended by the Council a motion is in order to make this a part of the special order on Friday morning on Committee and Committee Membership.

R. S. HAWES, St. Louis: I so move.

PRESIDENT GOEBEL: It has been moved and seconded that this be made a special order for Friday morning under the head of Committees and Committee Membership. Are you ready for the question? The Ayes have it and the motion is carried.

Now, we have only two more reports, and that will finish up the business. I want to say to you gentlemen, before I call for the next order of business, that the Secretary of the Treasury and the Asst. Secretary of Agriculture will speak here tomorrow morning. The Secretary of the Treasury is at the head of the Finance Department of this great Government, and I hope and trust that we will give him the same kind of audience that we gave to the speakers today.

I also want to say to you that unless you are needing much sleep, do not stay up too late tonight, because I am going to call the meeting promptly to order on time tomorrow morning. You will now hear the report of the Committee on State Legislation.

Report of Committee on State Legislation

[This report is printed on page 125.]

THOS. B. PAYTON: Mr. Clarabut, the Chairman of that Committee, had to leave a few moments ago, and requested me to present the report, and accordingly I will ask leave to file it.

R. E. HAWES, St. Louis: I move that it be received and placed on file.

PRESIDENT GOEBEL: The motion is carried.

PRESIDENT GOEBEL: I want more members present, and I will call on Mr. McKee tomorrow, if he will agree to that suggestion.

H. H. MCKEE: That is agreeable to me.

CHAIRMAN GOEBEL: The Secretary wants to make some announcement.

SECRETARY FARNSWORTH: The General Nominating Committee meets at five o'clock this afternoon in the Meeting Room of the Hippodrome. You pass down the outside corridor on that side right straight through there is a meeting room which they call the Hippodrome. That is where the Nominating Committee meets this afternoon.

There has been some confusion today in regard to those who attend the Convention not wearing badges. Atlantic City has one hundred and fifty thousand of transient visitors at certain seasons of the year. Those visitors have nothing to do except walk up and down the boardwalk and if those without badges were allowed in this building, there would be no room in the building for the members. Now, please wear your badges, and please tell the ladies of the company to put on their badges, so that they will have no difficulty in getting into the Convention. Also I want to call your attention to the fine exhibit on the side of the room.

PRESIDENT GOEBEL: One more announcement and then we will stand adjourned until tomorrow morning. It would pay you to stay here until tomorrow afternoon. I am not going to tell you why but it will pay you to stay. We stand adjourned until tomorrow morning.

SECOND DAY'S SESSION

Friday, September 28th, 1917.

P. W. Goebel, President, in the chair.

President Goebel called the meeting to order shortly after 9:30 A. M. PRESIDENT GOEBEL: The Convention will be in order. We will arise while the Rev. Thomas J. Cross, Pastor, Chelsea Baptist Church, Atlantic City, gives the Invocation.

PRESIDENT GOEBEL: We will now have the report of the Committee on Federal Legislation by its chairman, H. H. McKee.

Report of Committee on Federal Legislation

[The report of this committee may be found on pages 123 to 125.]

PRESIDENT GOEBEL: The Chair desires to make an announcement. The meeting of the new Executive Council according to program was to be held to-morrow morning. Many of the members of the council desire to leave in the morning, and for that reason the meeting has been changed to be held at 8 o'clock this evening in the East Solarium of the Marlborough-Blenheim Hotel. I hope that every member of the council will be present and be prepared to stay until all business is transacted.

The Chair also wants to make another appeal to the delegates on the floor, to our honored guests in the balcony, to please not indulge in conversation when the platform is occupied by a speaker. I am a great believer in one at a time when it comes to talking; and you have not any idea while you are conversing with each other, how you annoy the entire audience and especially the speakers; and I want to appeal to you this morning not to indulge in that pastime of conversation.

America, the United States, as I have stated several times during this Convention, is peculiarly fortunate in the men who serve it. That is one reason why I am always an optimist when it comes to solving any problem that will come up before the American people, and solve it right.

We have with us this morning a young man who is going to address us. He is the Assistant Secretary of Agriculture. He gives his time to the Government, but he makes a living by farming and he is not a theoretical farmer. He has a man who has a farm of something like four thousand acres, which is one of the few farms that is managed according to scientific principles, which after all are only good sense farming principles, and which produce no more than the average.

I also want to say to you that of course he is a Westerner. He was born in Missouri. His farm is in Illinois and he has done a wonderful work in the last six months drawing the attention of the people of the United States to the actual condition as far as food products are concerned. He will speak to us this morning on the "Civic Soldiers in the War for Democracy"; and it gives me very great pleasure to introduce to you the Hon. Carl Vrooman.

"Civic Soldiers in the War for Democracy" by Hon. Carl Vrooman

[We print Mr. Vrooman's address on pages 105 to 106.]

PRESIDENT GOEBEL: I am glad the distinguished speaker mentioned our Agricultural Commission, because I now have the pleasure of introducing to you that matchless American, that splendid banker, the great leader of that commission—Joe Hirsch.

MR. JOSEPH HIRSCH, (Chairman of the Commission): Mr. President, Members of the American Bankers Association.

Report of Agricultural Commission

[The report of the Agricultural Commission is printed on pages 125 to 127.]

JOSEPH HIRSCH (continuing): There is just one word more I want to say to you. There is no work in my judgment, there is no part of the work of the American Bankers Association which is of more importance to the country at large than the work of your Agricultural Commission. It should be made a permanent committee of your organization. If we have had any measure of success during the past year, I want you to know that it is because of the men who have been associated with me on the Agricultural Committee—Mr. J. R. Wheeler, of Wisconsin, has not only rendered distinguished service as chairman of the Wisconsin Bankers Agricultural Committee, and as President of the Wisconsin Bankers Association, but has been a member of this Agricultural Commission ever since its organization in 1913. Messrs. Will Gordgon, of Missouri; B. C. Powell, of Arkansas, and Owen Sams, of Ohio, have likewise served as chairmen of their Agricultural Committee, and as presidents of their state associations, while Mr. Shepherd, of Idaho, rendered distinguished service as chairman of the Idaho committee. I want to pay this public tribute to this commission which has brought about such faithful service, and who have given you the benefit of tried, trained experience in this world. Grateful acknowledgments are due to my friend, Mr. Tobin, who has been a veritable wheel-horse, and to President Goebel and Secretary Farnsworth and Vice-President Hirsch and the other officers of the Association. In conclusion I want to appeal once again for the help of every state association, and to you, the individual members of this organization, in the work of your Agricultural Commission; a work which is of material benefit to every banker who engages in it, a work which is bringing about a closer relationship and a better understanding between bankers and their customers; a work, my friends, which has always been economically sound, but which to-day has become so important a factor in the program for our National Defense that you ought to give it from patriotic reasons, the full measure of your support.

PRESIDENT GOEBEL: Under the rules this report will be received and filed. The Agricultural Commission is a commission of the Convention. Hence it will take action at this Convention to continue the commission for the ensuing year. This will come up in the regular order of business this afternoon, on Committees and Committeeships.

Now, I am going to ask you gentlemen to move toward the center. I also desire to announce that for the balance of this morning's session, the reservations in the balcony will be suspended, also that guests for the balance of the morning session, are welcome to take the unoccupied seats on the floor.

Secretary McAdoo will begin his speech at 11:30. In the meantime there is a matter of yesterday that we could not give prominence to, that it ought to have, and that was the General Secretary's Report. He is not going to read you his report, but at the end of his tenth year of service to the Association, I want him to say a few words to you at the present time, Colonel Farnsworth.

Report of the General Secretary by Col. Fred E. Farnsworth

[Col. Farnsworth's report will be found on pages 118 to 121.]

THE GENERAL SECRETARY, continuing: Mr. President, Ladies and Fellow Bankers.—I am in the habit of obeying orders. I had proposed yesterday that this order of business be indefinitely postponed;

but the President told me a few moments ago that I would be expected to say something about the progress of the Association in the past ten years, and I can assure you it gives me a very great deal of pleasure to do so, not that I claim credit for the great work of the American Bankers Association in the past ten years. Ten years ago, there was a change in the administration which took place in Atlantic City. When I say that I mean in the officers of the Association and in a reorganization of the council, whereby the entire country was given representation on our council.

Now, while I am not too modest to acknowledge that perhaps as the Executive Officer of the Association, I may have had something to do with the progress, the great progress of the Association in the past ten years, but if we had not had able men as Presidents, and Vice-Presidents of the Association, and as Treasurer, and able men on the Council and on the Administrative Committees which had backed me up in these efforts during these past years, to make the American Bankers Association the greatest organization on earth, no one man could have succeeded in accomplishing what has been accomplished during this period.

Under the Constitution, the General Secretary is expected to prepare and submit to the Convention once a year, a full report of the Association's activities. This report is embodied in the published pamphlet which has been distributed. The new council which will be organized this evening, as has been already announced, will comprise 108 members. It has received some criticism from some sources, that our council was unwieldy and too large. My experience has been that that is not so; I believe the interest which is maintained in the various States of the Union, is very largely increased by having a good representation from each state of our council.

We are particularly proud of the increase in membership during this period, and especially during the past year. With regard to the increase in the members of the council, through the activities of several states, the State of Iowa, for instance, we received 227 new members during the past year. This has been followed by a number of other states with a large increase in membership, and before I left New York we received an application which we put through for a bank and trust company in Shanghai, China.

(Here Secretary McAdoo of the Treasury, arrived amid great applause).

At 11:30 was the announced time for the Secretary's address, and as there are many who expect to come in during the next few moments, the President has asked me to continue for a short time longer. During the past year the Association has increased its membership net 1,328.

I have just received this telegram from the general officers: "Membership to-night, 17,431." That is over one hundred more than what appears in the Annual Report of the first of September, or 100 new members since the first of September. The receipts for dues from the Treasurer, including the 25th Inst., \$179,675.

Our drafts are sent out as you know on the first of September, that is about \$20,000 more than was received in the same period last year.

THE PRESIDENT: Ladies and gentlemen, the American Bankers Association has been very fortunate indeed in the last year in its contact with the Treasury Department, and I would say that at the head of that Department there is a man who is a broad minded American, and every conference the officers of this Association have had with the head of the Treasury Department has been satisfactory. He had met us in a broad minded American spirit and has taken into consideration every suggestion made by your officers.

We are living in a time that is epochal, that is history making, or rather all things hitherto done in any line of human endeavor are so far surpassed by the present that no comparison is possible.

The Secretary of the Treasury in the past year has, and in this year will borrow more money than any man in the history of the world; and he will expend more money than any man in the history of the world; and to show the confidence of the American people in this man you will only have to follow the legislation enacted by both houses of Congress and voted for by Democrats and Republicans, which leaves entirely to his wisdom and discretion the handling of these great sums of money. The greatest tribute ever paid by a free people to one of its citizens; and it gives me peculiar satisfaction this morning to preside at the meeting in which this man is going to speak, because, personally, I have been in touch with him and have come to admire his sterling qualities more than I can tell you. And it is certainly a pleasure to introduce to you Secretary McAdoo of the United States Treasury.

THE HON. WM. G. McADOO: Mr. Goebel, Gentlemen of the American Bankers Association, Ladies and Gentlemen.—It would be difficult for me to express to you my gratitude for the generous introduction of your President and for the cordiality of this reception. I should like to repeat here what I said in Kansas City, Missouri—or in Kansas City, Kansas, rather—Mr. Goebel's own town, when I had the pleasure of speaking there on the first Liberty Loan. I should like to testify here as I did there of my admiration of the sturdy and virile patriotism of this adopted citizen of the United States. A man whose splendid conduct and unswerving integrity of character, his independent courage and his love for America, have set an example to men of native birth. I would that some men who claim to have been born American citizens, could be infected with his splendid qualities of patriotism.

Mr. Goebel has referred to the confidence which the American Congress, by unanimous vote has reposed in the Secretary of the Treasury. I did not take that, gentlemen, as a personal tribute; I take it as a tribute to the great office created by the American people, no matter who the incumbent, Democrat, Republican, or otherwise, because no man in the history of the United States who has ever held that great post, has dishonored it. From the days of the immortal Hamilton until 1913, I can speak from my knowledge of history, that no Secretary of the Treasury of the United States has been faithless to his trust. And it is a great tribute to the office, and I believe no man could have held that office, weighted as it is with the most impressive responsibility, and failed to discharge that with all his patriotism and all the powers of his mind and of his soul, to meet and discharge creditably to the American people and to himself great responsibilities they have put upon him.

It is a great pleasure to meet you in this Convention and to thank you in person, and to express to you my deep appreciation of the assistance the American Bankers have given to the Treasury Department in the last year of stress and trial and of hard work. The responsi-

bilities of this office cannot be effectively discharged without your support, or without the support of every American citizen, regardless of sex, class, creed or conditions. Because we face a time in the History of the American nation when with the cooperation of everyone, the humblest with the highest, we can do the impossible; but without that support, and that exalted spirit of patriotism animating all of the citizens of the United States, that these great tests cannot be performed; but I know from my experience of the American people, as I have come in contact with them, I know that they will respond to the call; that they intend to make America more than she has ever been in the past history of the world, pregnant for right, for justice, for democracy throughout the universe.

I wish also to take advantage of, this occasion to express my appreciation of the splendid work the American Bankers Association did in helping to provide that great monumental Fund of Mercy, the Red Cross War Fund. You not only contributed your money but your services; and you had the opportunity there and you discharged it well of rendering another great and creditable service to your country.

And now, gentlemen, I must, I regret to say, read to you a speech which I have felt impelled to write for this occasion because there are some things I should express exactly here, and I am afraid to trust myself to any flights of oratory. I hope you will forgive me for having to read this speech, and I hope I may impose upon your patience for sufficient to read it in full. You may suffer but you have to do it for your country. I find also that I had to become artificial in the last few years—I have had to resort to glasses. However, I use them more for introspection than I do for examination of my fellow men.

"The Second Liberty Loan," by William G. McAdoo, Secretary of the Treasury

[The address in full of the Secretary of the Treasury appears on pages 94 to 101.]

PRESIDENT GOEBEL: Please be seated gentlemen. Do not forget the great speaker for this afternoon, Dr. Newell Dwight Hillis will talk on the subject of "Why We Must Fight On." There is also some extremely important business of the Association to be attended to this afternoon.

Adjourned until 2 P. M.

AFTERNOON SESSION.

2 P. M., SEPTEMBER 28, 1917.

PRESIDENT GOEBEL: The convention will be in order. We will now receive the Report of the Committee on Credit Forms.

Report of Committee on Credit Forms

MR. W. P. SHARER (Chairman of the Committee): Your Committee on Credit Forms practically completed its labors when three specimen forms were submitted to the membership of the Association through the medium of the JOURNAL BULLETIN. A final report has been withheld until this time that the Committee might have the benefit of any constructive criticism offered, and they are pleased to state that several suggestions have been received which they have adopted and included in the amended and improved forms which are submitted as part of this report.

The committee desires to make special mention for the suggestion of two items: "A condensed statement of profit and loss account for the past fiscal year," and "a reconciliation of the net worth or surplus," which was recommended by the executive committee of the Clearing House Section.

As stated in the preliminary report made to the executive council some months ago, your committee has conducted an exhaustive investigation into the different forms now used in the various lines of business, and in different sections of the country, with the conclusion that a universal standardization of forms is practically an impossibility. Certain fundamental principles were embodied in the forms we examined, and, with these ideas as a basis, three different forms have been prepared which your committee believes are sufficient to cover practically all cases. The first of these forms is for the farmer or individual; the second is for the firm or individual engaged in the mercantile or manufacturing business; and the third is for the corporation engaged in mercantile or manufacturing lines. In compiling these forms it has been the aim of the committee to elicit all the information necessary to obtain an intelligent insight into the financial and other conditions of the individual or business under consideration, and at the same time to make the questions as brief and simple as possible.

Your Committee has received voluntary suggestions in such large numbers as to show conclusively that the work had enlisted the interest of many of your members, and, while some of the suggestions were impracticable, others have been found to be of extraordinary merit. The one predominating idea coming from banks both large and small was for brevity and simplicity in the forms to be adopted. This demand has caused the committee to eliminate a number of ideas of its own, and to reject suggestions coming from others which contain considerable merit. The committee fully realize that the forms will not meet the need of every bank in this country, where local conditions and requirements vary so greatly, but it is their belief that the forms will meet the needs of thousands of our members and that minor changes to meet local needs will make them desirable to practically every bank in the association.

If the result of our work is adopted by this Association it is the suggestion of the committee that samples of the forms be printed and placed on file in the General Secretary's office in New York, to be furnished to members who desire them for "copy."

Your committee believing it has now accomplished the end for which it was formed asks to be discharged.

PRESIDENT GOEBEL: Gentlemen, you have heard the most excellent report of this committee. What is your pleasure? Unless there is objection, the report will be received with approval and the committee discharged, as requested, with thanks. The Chair, hearing no objection, it is so ordered.

Next in order is the Report of the Committee of Twenty-five, representing country banks.

MR. THOMAS D. McADAMS, Richmond, Va.: In the regrettable absence of the chairman of the committee, I have been requested to read this report. I may say, by way of preface, that this report is not given to you in any spirit of selfishness, but with a full realization that this matter is so vital to the small scattered institutions that a proper solution of the question will be most helpful.

Report of the Committee of Twenty-Five

[The report of this committee appears on pages 122 to 123.]

MR. BOLAND, of Lackawanna, Pa.: I move that the report be received and its findings therein contained adopted.

PRESIDENT GOEBEL: The Convention may adopt the report, but the findings contained in it will have to come up under the order of Committees and Committee Membership.

MR. BOLAND: Then I make that motion, sir, that the report be adopted.

(The motion was seconded.)

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

The next order of business will be Committees and Committee Membership, and under this heading will come up the insurance referendum matter.

MR. F. G. HOWLAND: I move that the report of the Executive Council be accepted and its recommendations adopted.

(This motion was seconded.)

(Vice-President Hinsch at this point took the chair in the temporary absence of President Goebel.)

THE CHAIRMAN: The question before the Convention is the report of the Executive Council pertaining to the referendum on insurance, and the Chair understands that the gentleman just on the floor moved that the recommendation of the Executive Council in that matter be agreed to.

RECOMMENDATION REGARDING INSURANCE COMMITTEE ADOPTED.

MR. LAMPERT: Will somebody kindly state what the recommendation was?

SECRETARY FARNSWORTH: That the report be received and filed; and the Executive Council recommend that the Insurance Referendum Committee be continued and made a Convention Committee and be increased by adding to its number the outgoing and the incoming Presidents, and further recommends that the committee be authorized to prepare such a plan as may be desirable for securing the most satisfactory burglary, fidelity and surety insurance at such cost as may be found compatible with its recommendation to the spring meeting of the Executive Committee in 1918, and to be first approved by the Executive Council before being submitted to the next annual convention.

With the consent of the Chair I might explain to members who may not understand it, the method by which this report gets here. The Insurance Referendum Committee was a special committee appointed at the spring meeting of the Executive Council. That committee reported to the Executive Council here on Monday last. This matter came up yesterday and was referred as a special order for consideration at 2 o'clock to-day, but apparently because of the small attendance just at 2 o'clock the President took up other business. It comes up now regularly.

MR. OLIVER J. SANDS, of Richmond, Va.: I would move, as an amendment, that this matter be deferred until after consideration has been given to the motion to continue the present Insurance Committee.

THE CHAIRMAN: The Chair understands that this is a special order for this particular time, and therefore rules that the amendment proposed would be out of order.

MR. MOELLENPAH: I would like to make a brief statement, if I may, at this time, in order that the sequence of this matter may be clearly in mind, let me state that the question of insurance rates has been a burning question in this Association for the last fifteen years. We sustain a protective department which spends annually \$60,000. Because of that expenditure this is of paramount interest to every member, because the rates of insurance should have been reflected by the work of the Protective Committee. Now, at the spring meeting of the Executive Council a special Referendum Committee was appointed to take a ballot of the members of the Association throughout the country, and the result was the largest response that has ever been received to such a referendum ballot. The United States Chamber of Commerce takes a referendum of its membership upon all important questions. The result of the referendum ballot shows that over 5,000 banks asked for some such organization at once; 600 voted no, and 1,200 were non-committal.

I submit that this is a representative Convention, although held in the Eastern part of the country, and you gentlemen here to-day have a duty to perform in response to this referendum, and I insist that it should be given the attention it deserves.

(At this point President Goebel resumed the chair.)

PRESIDENT GOEBEL: It has been moved and seconded, I understand during my absence, that the recommendation sent to this Convention by the Executive Council be adopted. Are there any further remarks?

MR. WILCOX, of Baltimore, Md.: Mr. President, I would like to inquire if our adoption of this recommendation commits the Association to the principle of establishing an insurance bureau?

PRESIDENT GOEBEL: The Chair would hold that it would not.

(Cries of Question! Question! Question!)

MR. ROBERT H. BEAN, of Portland, Me.: Would it be in order, Mr. President, to move any change in the composition of that committee?

PRESIDENT GOEBEL: The Chair does not rule in advance, sir, upon any matter.

MR. BEAN: I would move, sir, that the Referendum Committee be enlarged by the addition of five representative bankers from various parts of the country, namely, James J. Fagan, of San Francisco, Cal.; Frank C. Nichols, of Providence, R. I.; Charles B. Blynn, of Philadelphia, Pa.; M. F. Holmes, of Boston, Mass.; J. Kirtland Jackson, of Birmingham, Ala.

This is a matter of tremendous importance, and, if we are going to take any definite stand with respect to it, it should be given the most careful consideration by bankers of experience and wisdom in all sections of the country.

PRESIDENT GOEBEL: The amendment is not open to discussion until it has been seconded.

Is there a second to the amendment?

A DELEGATE: I second it.

PRESIDENT GOEBEL: Are you ready for the question, gentlemen, upon this amendment?

MR. MOELLENPAH: I desire to say just a word more. I want to insist that this committee, which was a special committee appointed for a special purpose by the Executive Council, has done its work with an eye single to the good of the Association, with no ulterior motive on the part of any member of it, and its work should be either approved or disapproved by this Convention here and now. I hope the amendment will not prevail.

MR. NEWCOMER, of Baltimore, Md.: Would the amendment that has been offered remove the outgoing and the incoming President from this committee by substituting the five gentlemen who have been named in the amendment?

PRESIDENT GOEBEL: The Chair understands that the amendment, if adopted, would simply add five additional members to the committee.

MR. DARLING, of Minnesota: I move to lay the amendment on the table.

MR. DAVID CROMWELL, of White Plains, N. Y.: Would not the laying on the table of this amendment also carry with it the tabling of the original resolution?

PRESIDENT GOEBEL: I think it would, sir, if the amendment is laid on the table it lays the original proposition on the table, too.

(Cries of Question! Question! Question!)

The question is on the amendment to the motion that has been made to adopt the recommendation approved by the Executive Council for submission to this Convention. All in favor of the amendment will say aye; those opposed will say no. The noes seem to have it—the noes have it and the amendment is lost.

The question now recurs on the motion to adopt the original recommendation. Are you ready for the question on that? All in favor of that recommendation will say aye; opposed, no. The ayes have it, and the recommendation is adopted.

The next order of business is Committees and Committee Membership, which means whether the several committees and commissions of the convention shall be extended for another year and who shall serve upon them.

MR. H. G. PARKER: Representing the old insurance committee, Mr. President, I move it be continued another year.

MR. HAWES, of St. Louis, Mo.: I second that motion with the proviso that the same members be continued.

MR. PARKER: I accept the amendment.

PRESIDENT GOEBEL: The question is on the motion to continue the insurance committee another year and that the same gentlemen now on the committee shall serve on it. All in favor of the motion will say aye; opposed, no. The ayes have it, and the motion is carried.

COMMITTEE OF TWENTY-FIVE REDUCED TO COMMITTEE OF FIVE.

R. S. HAWES, St. Louis: I would like to move you, sir, that the recommendation of the Committee of Twenty-Five be indorsed by the Convention, and that a Special Convention Committee be appointed by the President of Five. (Seconded.)

PRESIDENT GOEBEL: The Committee of Twenty-Five, whose duties you are familiar with in its report recommended that the membership of the Committee be reduced to Five. The motion is that this recommendation shall be reported by the Convention, and that in place of the Committee of Twenty-Five it shall be known as the Committee of Five. Are you ready for the question? The motion is carried.

R. S. HAWES: Mr. President, I move you, sir, that the Agricultural Commission be continued, and that the members be appointed by the incoming President.

MR. BEAN, Portland, Me.: Seconded.

PRESIDENT GOEBEL: Gentlemen, you have heard the motion, that the Agricultural Commission be continued another year, and its membership be named by the incoming President. Are you ready for this question? The motion is carried. Any other business?

SECRETARY FARNSWORTH: I think that is all. The next is the matter of the invitations for the next Convention.

CHICAGO TO BE THE PLACE FOR NEXT CONVENTION.

JAMES B. FORGAN, Chicago, Ill., President First National Bank: Mr. Chairman and Gentlemen.—The Associated Banks of Chicago have authorized me to extend the most cordial invitation to the American Bankers Association to hold its Convention for next year in Chicago. A rival Eastern city has entered a prior claim to the title of being the hub of the universe, but no one can controvert the claim of Chicago to being the hub of the United States. Its geographical location and its unsurpassed railroad facilities make Chicago the most accessible city in the country for the large majority of the membership of this Association. As the second city in the country in size, it has within its borders ample facilities for the accommodation of a large convention and the larger you make your Convention, the better we will like it.

You have experienced Chicago's hospitality on similar occasions before, and in spite of these strenuous war conditions, it will again be fully demonstrated, and should the war, in the Providence of God, be brought to a victorious conclusion within the next year, we will make the occasion one of jubilation and rejoicing. Chicago has the reputation of being the Windy City; but the Lord tempers the wind to the shorn lamb and knowing the lamb-like characteristics of bankers as a class, we will have every reason to trust that He will have your needs under special care and that the weather will be equal to the excellent quality which we have had in Atlantic City at this season of the year.

It, therefore, affords me great pleasure, and I assume it a great honor, to have this privilege, representing the Chicago Banks, of extending to you the most cordial invitation to hold your convention in the Windy City by the Lakes, where I can assure you of a most hearty and hospitable welcome.

PRESIDENT GOEBEL: The Secretary will read some communications from other cities.

SECRETARY FARNSWORTH: I simply want to present to the Convention—I did not hear all that Mr. Forgan said—that his invitation is emphasized by all of the commercial bodies of Chicago. The Chicago

Association of Commerce has an invitation here. Now, we have here, and I have in my hands, the invitations of several cities in various parts of the country inviting the Association to meet in their city, but these communications are generally from commercial bodies, and I do not think I hold a single one—in fact, I think in the letters I have here, if you were to take the entire bunch of invitations, you would have to take every city, to now accommodate the size of our Conventions.

R. S. HAWES, St. Louis: Mr. President, coming from St. Louis as I do, which has often been accused as jealous of the Windy City, it affords me great pleasure to move you, sir, that the convention convey an expression to the Executive Council that it would deem it wise to hold the next Convention in Chicago, Ill., and I so move you, sir.

PRESIDENT GOEBEL: Gentlemen, you have heard the motion. All those in favor say Aye. The Ayes have it. (Laughter.) Carried. The next on the program is unfinished business.

MR. GREER HIRSCH: On behalf of H. D. Wilcox, Vice-President Merchants-Mechanics First National Bank, Baltimore, I would like to ask the unanimous consent to the consideration of this resolution.

RESOLUTION ADOPTED IN FAVOR OF CONSIDERATE LEGISLATIVE TREATMENT OF RAILROADS.

WHEREAS, The business interests of the country are severely suffering from great lack of adequate transportation facilities; and

WHEREAS, The railroads under present conditions are utterly unable to increase their facilities to meet the heavy demands made upon them by the business needs of the country; and

WHEREAS, Railroad securities, owned in great volume by financial and other institutions which are members of this Association, are more or less affected by the general railroad situation now existing, and the cost of new capital for railroad purposes is now reaching almost prohibitive figures; therefore be it

Resolved, That the American Bankers Association, in realization of the gravity and far-reaching effect of the problems involved, offers the suggestion to its members that they cooperate with the most effective means now existing for collective action for impressing upon legislative and regulatory bodies the necessity of taking under serious consideration the questions surrounding the railroads of the country, to the end that railroad credit may be strengthened and railroad expansion encouraged so that the growing business of the country and the Government, in the prosecution of the war, shall be provided with adequate transportation services and facilities.

Offered by H. B. Wilcox, Vice-President Merchants-Mechanics First National Bank, Baltimore, Md.
Seconded by Frank W. Blair, President Union Trust Co., Detroit, Mich.

PRESIDENT GOEBEL: Are there any objections to the consideration of these resolutions? The Chair hears none.

MR. SULLIVAN, Cleveland: I move the resolution be adopted.

PRESIDENT GOEBEL: Gentlemen, you have heard the resolution. The motion occurs on the adoption of it. Any remarks? It is carried and the resolution is adopted.

Mr. George of Illinois asks the unanimous consent of the Convention to present a communication from the Illinois Bankers Association.

MR. WILLIAM GEORGE, Illinois: Mr. President and Gentlemen—At the Illinois Bankers Convention our resolution was adopted upon a report of a committee that was adopted by that Association, of cooperation and consolidation of the various associations. I won't take but a minute of your time, and will ask the appointment of a committee. The report which we were directed to submit to this honorable body is as follows:

RESOLUTION FOR COOPERATION WITH STATE ASSOCIATIONS.

Your Committee of the Illinois Bankers' Association on cooperation and consolidation of the American Bankers Association and the State Associations begs leave to report that after numerous conferences with the secretaries and other officers of the various state associations, your committee is of the opinion that at the present time the work being done by the state associations, and the American Bankers Association, is often duplicated; that the cost to the various member banks is much greater than it should be, and efficiency lessened. Your committee believes that at the present time, while the associations are doing a good work, there is much that could be accomplished by a proper system of cooperation in effort. Your committee believes that in the matter of fidelity insurance alone, it is apparent that great savings can be accomplished to the bankers of this country by well-organized cooperation. Your committee also believes that in the apprehension of criminals, the various associations and the American Bankers Association and bonding companies are spending money for the same service, and the same particular job,—all at the duplicate cost to members. It would seem that some plan might be developed by which a consolidation of all of our resources, in a central control, might add very greatly to efficiency, and at greatly reduced cost.

Your committee would suggest that the association urge the American Bankers Association to have a commission appointed to undertake ways and means by which our joint efficiency should be enlarged, and operating expenses decreased. The committee recommends that the Illinois Bankers Association instruct its members in attendance at the American Bankers Association to use their best efforts to have an inter-association commission appointed, consisting of one member from each state association, to work out a plan of cooperation in matters of mutual interest to member banks.

Gentlemen, I won't argue the question that it is thrift year, and we think therefore that thrift should begin with bankers associations, but I move you that this recommendation of the Illinois Bankers Association be the action of the American Bankers Association and that a committee as recommended, one from each State, upon this inter-commission be appointed.

MR. JOSEPH WAYNE, Philadelphia: I move the resolution be laid on the table. (Seconded.)

PRESIDENT GOEBEL: There is a motion made and seconded that the resolution of the Illinois Bankers Association be adopted by this Association and the committee mentioned therein be appointed. There is a motion also to lay this on the table, which has been seconded. A motion to lay on the table is not debatable. Therefore, all those that favor the motion to lay on the table will indicate (some for, and some against). The Chair is in doubt. I am going to ask once more for a viva voce vote, because it takes time to count. I hope that those who want to vote for the motion to table will do so, and those who want to vote against it will do so, and perhaps the Chair can decide. Those who are in favor of tabling this resolution will say Aye. I see that the Noes have it.

Gentlemen, the question now is upon the motion of the gentleman from Illinois, that the resolution adopted by the Illinois Bankers Association be adopted here, and that a committee of one from every state association be appointed. The Chair wants simply to throw out the

suggestion and see if that is Mr. George's understanding. The American Bankers Association has already over-appropriated its receipts for next year, and I suppose each association will pay the per diem and traveling expense of its member on this Commission.

MR. GEORGE, Illinois: I think that it is only fair, as the states are going to reap the benefit that this brings, without expense to the American Bankers Association.

PRESIDENT GOEBEL: All those in favor of the resolution will say Aye (some for and some against). The Ayes have it.

Is the committee on Resolutions ready to report, Mr. Wayne?

CONVENTION ASKS SECRETARY OF WAR TO PERMIT ESTABLISHMENT OF BANKING FACILITIES AT CANTONMENTS.

JOSEPH WAYNE, Philadelphia: Mr. President and Fellow-Members: Your Committee on Resolutions recommends the adoption of the following:

WHEREAS, Thousands of men have been gathered in cantonments for training as soldiers. These cantonments form great cities and the men in them have need of all the services and facilities that obtain in such cases, and

WHEREAS, these soldiers receive pay, have in their possession funds, desire to transmit money in the ordinary way and otherwise have need of banking facilities for deposit and saving, and

WHEREAS, In these times when economy and thrift are essential to success in war and are as applicable in principle and in practice to the men in the army as to those in private life, and

WHEREAS, The Secretary of War has forbidden the opening and maintenance of local banks within the boundaries of the cantonments; now, therefore be it

Resolved, That the Secretary of War be earnestly requested to amend his decision so that banking facilities within the cantonment boundaries may be provided for the soldiers; and be it

Resolved, That the members of the American Bankers Association, whose banks are near such cantonments, united in providing banking service for the troops to the end that their funds may be safely held and transmitted and that habits of saving may be encouraged.

PRESIDENT GOEBEL: You have heard this resolution in regard to the establishment of banking facilities in the different cantonments.

R. S. HAWES, St. Louis: I move its adoption.

PRESIDENT GOEBEL: It has been moved and seconded that the same be adopted. It is carried.

RESOLUTION OF THANKS AND APPRECIATION.

JOSEPH WAYNE, Philadelphia: The second resolution that we would present for your consideration is as follows:

It is the unanimous opinion of your Committee on Resolutions that the American Bankers Association should express by rising vote its appreciation of the successful efforts made by those who have contributed to make the Forty-Third Annual Convention memorable.

To the New Jersey Bankers Association, and the banks and commercial organizations of Atlantic City, grateful acknowledgment is made. The cordial words of welcome expressed by Governor Edge and Mayor Bacharach found reflection in concrete form. Nothing has been neglected which could add to the pleasure and profit of the visitors and the work of the delegates.

We desire to express particular appreciation of the manner in which the local press, the newspaper correspondents, the Associated Press, and the United Press have handled the news, and for the generous space the newspapers of the country have given to the deliberations and proceedings of the Convention.

PRESIDENT GOEBEL: Gentlemen, all those in favor will please rise to their feet. Motion carried with Convention rising.

JOSEPH WAYNE, Philadelphia: We now come to what the Committee on Resolutions considers the keynote of the whole Convention. We have had patriotic talks here. We have been fired with enthusiasm. The bankers know what they have to do, and we think it is up to the bankers to put themselves on record as to just what they are going to do, and I think this resolution will be adopted in such ringing terms as will leave no doubt in anybody's mind.

CONVENTION PLEDGES ITS SUPPORT TO PRESIDENT AND HIS ADMINISTRATION.

Your Committee on Resolutions asks unanimous approval of the following:

First. The American Bankers Association, through its Executive Council, offered its assistance to the Secretary of the Treasury in distributing the war loan bonds of the Government. This offer was accepted last May and the machinery of the organization was successfully used in aid of the Treasury Department and the Federal Reserve Banks.

Second. The Bankers of the country responded generously to the call of the Government for assistance. Regardless of their membership in the Association, they worked faithfully to promote the sale and distribution of Liberty Loan Bonds. Thousands of them served on Liberty Loan Committees and the War Loan Committees of the Association.

Third. The Bankers' practical demonstration of loyalty requires no commendation at the hands of this Convention. The bankers of the country have never yet failed in the full discharge of their duty to the Government. They did not fail last Spring. They will not fail this Fall. They gave their services, facilities, and earnest support then. They will give it again and again. They realize that success in war depends on the people and on no unit of the population is there greater or less responsibility than on any other; but the bankers are specially charged with the duty of making the financial operations of the government successful. They owe this duty to themselves.

Fourth. The Second Liberty Loan is impending. Others will follow. Success in raising the vast sums of money needed requires something more than good intentions. To assure success we must have action, leadership and the application of all the financial ability the bankers can muster.

To the end that success may be absolutely assured, this Convention here and now declares the support of every bank and every banker to the President and his Administration. It bespeaks of every bank and every banker active cooperation with the Secretary of the Treasury and the Federal Reserve Banks. It pledges to the Administration the unqualified support of every one of the 17,307 members of the American Bankers Association in the great task of winning the war. To that end and purpose the American Bankers Association is hereby dedicated.

PRESIDENT GOEBEL: The Convention will rise if they approve this resolution. (Motion carried, Convention rising.)

VOTE OF THANKS TO SPEAKERS.

JOSEPH WAYNE, Philadelphia: Mr. Chairman, there is one memorandum which the Committee evidently overlooked. It is to give thanks to the men who have come here to address the Association. We have

listened to stirring speeches from Secretary McAdoo, Lord Northcliffe, Governor Strong, Dr. Nicholas Murray Butler, Dr. N. D. Hillis, Asst. Secretary of Agriculture Mr. Vrooman, George M. Reynolds.

I therefore suggest, Mr. Chairman, that a vote of thanks be given to these gentlemen for coming here and addressing the Convention.

PRESIDENT GOEBEL: All in favor will signify. It is carried. You will notice on Page 22 of your program there is a notice of a resolution to be presented by Charles A. Hinsch, of Cincinnati, O.

COMMITTEE OF FIVE TO COOPERATE WITH AMERICAN SECTION OF PAN AMERICAN FINANCIAL CONFERENCE.

Resolution presented by Charles A. Hinsch, Cincinnati, Ohio. The first Pan American Financial Conference, held in Washington in May, 1915, recommended the creation of the International High Commission, composed of nine members from each American Republic represented at said conference, the United States section of which was established by Act of Congress February 7, 1916. The purpose of the Commission is to bring about closer financial and commercial relations between the American Republics and the adoption of uniform laws and rules covering commercial transactions.

The first meeting was held in Buenos Aires, April, 1916. The result of the deliberations gives great promise for the future.

Copies of the Pomerene bill, printed in Spanish, unifying the law pertaining to bills of lading, were presented to the Conference, with the recommendation that similar laws be enacted by the several countries represented at the Conference.

The personnel of the American section of said Commission is as follows:

Hon. W. G. McAdoo, Secretary of the Treasury, Chairman.
Hon. John Bassett Moore, Vice Chairman.
John H. Fahey, Esq.
Hon. Duncan U. Fletcher.
Peter W. Goebel, Esq.
Hon. Andrew J. Peters.
Samuel Untermyer, Esq.
Hon. Paul M. Warburg.
John H. Wigmore, Esq.
Dr. L. S. Rowe, Secretary.
Dr. Constantine E. McGuire, Assistant Secretary.

It has been suggested by Dr. C. E. McGuire, Assistant Secretary of the United States section, that a standing committee from the American Bankers Association be appointed, for the purpose of advising and cooperating with the members of the United States section.

Now, *Therefore, Be It Resolved*, That we, the members of The American Bankers Association in Convention assembled, hereby give our hearty and unqualified approval of the work of said Commission, and do hereby authorize the appointment of a standing committee of five to cooperate with the American section of said International High Commission.

PRESIDENT GOEBEL: Gentlemen, you have heard the motion to adopt this resolution. Are you ready for the question? Those in favor will say aye. The motion prevails, and the resolution has been adopted. Mr. Hinsch asks the unanimous consent of the Convention to present another resolution. Are there any objections?

RESOLUTION IN FAVOR OF ASKING CONGRESS TO EXEMPT U. S. BONDS FROM TAXATION IN HANDS OF BANKS LAID ON TABLE.

CHARLES A. HINSCH, Cincinnati: Mr. Chairman and Gentlemen.—You all know that the United States Bonds, in the hands of individuals and in the hands of everybody, excepting our incorporated banks, are not subject to taxation. Now, inasmuch as the banks of this country will be expended to underwrite such bonds as may not be taken by the public, it seems proper at this time that some amendment to the existing law be passed which will exempt said bonds from taxation, either in the hands of the bank or in the hands of the shareholders, where a tax is laid upon the banks and supposed to be paid by the shareholders, but actually paid by the bank.

I move, therefore, Mr. Chairman, that this Convention authorize the introduction of an amendment to the laws as they now exist, which will properly cover an exemption on all Governments Bonds. I thank you. (Seconded).

PRESIDENT GOEBEL: It is proposed and seconded. Gentlemen of the Convention, I have very serious doubts of the wisdom of passing this resolution. I doubt whether any Congress would ever consent to exempt the United States Bonds, and thus make bank stock practically free of taxation, and it might arouse such a storm of protest that the magnificent effect of everything that has been done at this Convention might be clouded. I regret more than I can tell you to have to speak against anything proposed by our worthy Vice-President, but I would not be doing my duty if I did not.

Mr. _____: I move the resolution be laid on the table (seconded).

CHARLES A. HINSCH, Cincinnati: I might say that I have presented this resolution at the request of Mr. Fox, or substantially it is a request of the President of the National Bank Section, and after a talk to-day with Secretary McAdoo, he seemed, without committing himself, to lean with a friendly ear to these suggestions. I offer that in explanation.

Mr. Cox: I have talked with Mr. McAdoo and he received the suggestion with favor, and I think there is no doubt that during the coming year, they would exempt Liberty Bonds from taxation, and possibly the bonds we hold for circulation.

THE PRESIDENT: The question is upon the motion to lay this on the table; all in favor say "aye"; opposed, "no." The Chair is in doubt. All in favor of tabling the resolution of Mr. Hinsch will rise. Now let those opposed rise. The motion to lay on the table prevails, and it is so ordered.

One announcement has been handed to me. The Federal Legislative Committee is requested to meet in the Marlborough Hotel, south wing, first floor, immediately upon adjournment of this Convention, so that the work of the coming year may be discussed.

THE PRESIDENT: Ladies and gentlemen, when the American Bankers pursuant to the action of its representatives, the Executive Council, started in help the Government to place the first Liberty Loan Bonds, we called upon all classes of people to assist us. Many gentlemen offered their services. Among those who offered his services was one of the most prominent Divines of the country. He not only offered his services at the office, and in giving suggestions as to sermons, but he offered to make a tour of the United States, and did make a tour of the United States, which was one of the greatest helps toward making the campaign for the Liberty Loan a success.

This gentleman has recently been in France and Belgium, right where he could observe everything that was going on within the battle

lines. It gives me a great deal of satisfaction to be able this afternoon to present to you Dr. Hillis, who will address you upon the subject, "Why We Must Fight On, in View of German Atrocities and the Peril of an Inconclusive Peace; with Some Observations in France and England during July and August, 1917."

"Why We Must Fight On," by Rev. Dr. Hillis

[Dr. Hillis' address is printed on pages 113 to 117.]

NOMINATIONS AND ELECTIONS.

PRESIDENT GOEBEL: The Report of the Nominating Committee is now in order.

OFFICERS ELECTED.

MR. THOMAS D. McADAMS, of Richmond, Va.: Your committee on Nominations has appointed a sub-committee, consisting of Mr. Franklin, of South Dakota, Mr. Sharer, of Ohio, Mr. Mills, of Minnesota, and myself to present to you the unanimous result of their deliberations. The report is as follows:

REPORT OF NOMINATING COMMITTEE

Your Nominating Committee beg to report the following nominees, unanimously chosen by the committee, to be submitted to the convention as officers for the ensuing year:

For President: Mr. Charles Arthur Hinsch, President Fifth-Third National Bank, Cincinnati, O.

For Vice-President: Mr. Robert Foster Maddox, President Atlanta National Bank, Atlanta, Ga.

PRESIDENT GOEBEL: Gentlemen, what will you do with this report? Mr. J. J. SULLIVAN, of Cleveland, O.: I move you, sir, that the rules be suspended and the secretary instructed to cast the ballot of the convention for the gentlemen named.

(The motion was seconded from all parts of the hall.)

PRESIDENT GOEBEL: Gentlemen, you have heard the motion. Are you ready for the question upon it? If so, all in favor will say aye; opposed, no. The motion is carried, and the secretary will cast the ballot as directed.

SECRETARY FARNSWORTH: I announce that I have cast the unanimous ballot of the convention as directed.

PRESIDENT GOEBEL: The king is dead—he continues dead. (Laughter.) Long live the king. Mr. Hinsch, it gives me more than pleasure, it gives me immense satisfaction, to present you to this audience as the new president of the American Bankers Association. I know the magnificent services of the bankers to the people of the United States of America, and I hope and believe that your administration as President of it is going to be as successful as your work as chairman of the legislative committee and as chairman of the finance committee and as vice-president has been in the past.

PRESIDENT HINSCH: Gentlemen, in accepting this office I am not unmindful of the problems that are presenting themselves for solution to us, nor am I unmindful of the great task that I have assumed.

When I realize the splendid administration of President Goebel and the men who have preceded him in this office, I confess that I have misgivings that I shall be able to measure up to their standards; but I confidently rely upon your loyal support and that of the general secretary and the members of his staff.

I concede it to be the paramount duty of the American Bankers Association in the coming year to undertake a campaign that shall have for its purpose the strengthening of the financial structure of this country and the bringing in to the Federal Reserve System of every eligible non-member bank, to the end that we may be prepared for any emergency and the gold reserves of this country mobilized to take care of any condition that may arise. You have heard what Secretary McAdoo said upon this subject today, and many of you heard what Governor Harding said in the meeting of the State Bank Section a couple of days ago. It seems to me that the duties of the committee which you authorized yesterday pursuant to a resolution that I introduced are not only to endeavor to bring in to the system non-member banks, but also to try and secure additional amendments, if they shall become necessary, to the Federal Reserve Act so as to remove any objections that now exist on the part of any non-member banks. I feel that it is our duty to back up the boys that have gone to the front, and we can only do it by insuring the financial stability of our government.

It now becomes my very pleasant duty to present to you the new vice-president. He really needs no introduction to this audience. Most of us have heard Mr. Maddox in the addresses that he has made all over the country. We know that he is sound financially; we know that his ideas are broad and liberal on many subjects, and I feel great satisfaction in knowing that I am to have a lieutenant on whom I can depend in the coming year.

VICE-PRESIDENT MADDOX: Mr. President and Members of the Association.—I can only say that I greatly appreciate the honor you have conferred upon me. I assure you that I shall do everything in my power to cooperate with the president and the other officers of the association to promote the best interests of the bankers of America and of the country that we love so well.

SILVER SET FOR EX-PRESIDENT GOEBEL.

JOHN D. POWERS, of Louisville, Ky.: Gentlemen of the Convention.—I am asked to perform a very agreeable duty indeed. I come before you to speak of a gentleman who has shown himself well qualified for the discharge of the important and onerous duties imposed upon him during the past year. Kentucky greets Kansas. Mr. Goebel, I assure you that you have the high appreciation not only of the people of the South, but of the North, the East and the West, who know what bankers are and what the reciprocal relations are between bankers and other men. Ten years ago in this very hall I was elected to the discharge of the duties of President of this Association, but they were then as nothing compared with what they are now and particularly with what they have been at this session. My friends, Mr. Goebel has made himself felt, and he has made himself loved by every one who has come in contact with him. For fairness in decision, for courage, he has been preeminent. He is now to be presented with a loving testimonial, selected by one of the sweet women of this land, the wife of our worthy secretary, and in presenting this set of silver to him I want to say that it is only silver, while yesterday he presented to us words which were truly words of gold, and words which came from the heart.

Mr. Goebel, I present to you, at the instance of the Committee who selected it, this magnificent set of silver. I know it will never lack your admiration—and I am sure your Madam will ever see that it is well cared for.

MR. GOEBEL: Colonel Powers and my Dear Friends.—You have been too kind. I can hardly tell you how much I appreciate this gift. I fear you have overestimated what I have done. I have only tried to do my duty as I saw it from time to time in the activities in this association. I have tried to convince the people of the United States of America of the loyalty and disinterestedness of American Bankers.

After all, Ladies and Gentlemen, there is only one issue before us, and that is Our Country, and there should be only one effort on the part of the American Banker, and that is to sacrifice everything, if need be, in order to secure victorious peace. The time for eulogizing the Stars and Stripes is past; the time for patriotism, for self sacrifice, is here. The banker, the man or the woman, who is not willing to show his or her patriotism by sacrifice is not worthy the name of American citizen.

Sir, I assure you that in any activities of the association, in any endeavor to arouse the people to their duty, I shall ever be at your command.

MR. WILLIAM A. LAW: I desire to move a vote of thanks to the retiring officers of this association for their splendid services during the past year. Their tasks have been greater, without any doubt, than have ever been performed in any single year of the association's history.

(The motion was variously seconded.)

PRESIDENT HINSCH: All in favor of this motion will manifest it by saying aye. All opposed—if there are any—by saying no. The motion is unanimously carried.

MR. PERRY, of Kansas City: At the close of his work as President of this Association and as an expression of appreciation of the members of the Association the very pleasant duty has been given to me of pinning upon the breast of the retiring President of this badge, and I assure you all that Mr. Goebel will wear it as long as he lives with as much distinction and honor as he has shown in presiding over the deliberations of this convention. In Kansas City we think that Peter Goebel is all right. He is a citizen of Kansas City, Kansas; but it was

our good fortune as well as our pleasure to elect him President of the Clearing House Association of Kansas City, Missouri. Mr. Goebel, I pin upon your lapel this badge.

PRESIDENT HINSCH: I have a telegram from Mr. James K. Lynch, President of the Association last year, reading as follows:

"Please convey to the convention my good wishes for a most successful meeting and my regards that important work in connection with the Liberty Loan has prevented my attendance. However, be assured that I am with you all in spirit, if not in person.

Also a telegram from J. H. Tregoe, secretary of the National Association of Credit Men, as follows:

"The sincere greetings of the National Association of Credit Men are extended to the American Bankers Association, and we feel that the unusual questions of these days are going to be met squarely and the banking powers of the nation devoted unselfishly to the winning of the war. Our best wishes for a successful and happy convention."

A telegram has also been received from Mr. George L. Woodward, President of the South Norwalk Savings Bank, as follows:

"Word was received to-day of the death of E. J. Hill, President of the National Bank of Norwalk, Connecticut, and a member of the Ways and Means Committee of Congress."

I am sure we all regret the passing of Mr. Hill, who was always very active in the affairs of this association.

MR. GOEBEL: Mr. Hill was one of the old guard, who always worked for sane and safe banking, and for a sound currency and for the gold standard. I regret more than I can express that he has been taken from our midst, and to show our respect for his memory I suggest that the convention rise and stand for a moment.

(The audience rose and stood with bowed heads.)

PRESIDENT HINSCH: Unless there is some other business to come before the convention, a motion to adjourn is in order.

MR. TAGGART: I move that the convention do now adjourn.

(The motion was seconded.)

PRESIDENT HINSCH: It has been moved and seconded that the convention do now adjourn. All in favor of the motion will manifest it by saying aye; those opposed, no. The ayes have it, and the convention is adjourned sine die.

Adjourned.

CLEARING HOUSE SECTION

AMERICAN BANKERS' ASSOCIATION

Eleventh Annual Meeting, Held in Atlantic City, N. J., Sept. 25, 1917

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Clearing House Examinations for Groups, Cities, Towns, and Districts

BY JAMES B. FORGAN, Chairman of the Board, First National Bank, Chicago

It was in 1906 that the Chicago Clearing House Association took the initiative and established a bureau for the supervision by examination of its member and affiliated member banks. Since that time it has been my privilege to occupy the position of Chairman of the Clearing House Committee, having this bureau in charge. I assume that it is because of this experience that I have been asked to address you on the subject assigned me,

CLEARING HOUSE EXAMINATION FOR GROUPS, CITIES, TOWNS AND DISTRICTS.

I will therefore commence by explaining to you our Chicago method and by relating our experience of it during the eleven years of its existence, which is doubtless much the same as that of the many other city clearing houses which have established similar bureaus. I will then offer you such suggestions as occur to me in regard to the extension of examination bureaus to groups and districts.

It is a matter of history that the Chicago Clearing House Association established its bureau of examination soon after the experience it had with the failures of a national bank, a savings bank and a trust company operating under the management and control of one man. The Associated banks undertook to liquidate these three institutions by taking over their assets and assuming responsibility for their deposit liabilities, under a limited guarantee of their directors. The ignorance of the Associated banks as well as of the business community as to the true conditions of these banks was demonstrated by the fact that the market quotations for their stocks just preceding their failure were \$380, \$350 and \$240 per share and there were sales at these prices. Up to the time of their failure each of these banks paid substantial dividends to their shareholders. The National bank paid 12 per cent. regular and 3 per cent. extra and the other two paid 10 per cent. and 8 per cent. respectively. The combined capital and surplus of the three banks amounted to \$3,500,000 and their aggregate deposits to \$27,000,000, one-third of which was public funds, showing the political pull held by the management. The entire capital and surplus along with 44 per

cent. of the deposits were found to have been loaned to or invested in various ventures of the president. The condition in the National bank had developed through a period of years, during which the Comptroller's department had been kept fully advised of what was going on through the semi-annual reports of the National Bank Examiners. No action was taken, however, beyond expostulation through correspondence, until matters became so bad that they could not be allowed to proceed further, and the banks were closed on Saturday night, December 16, 1905, by joint order of the then Comptroller and State Auditor. The Associated banks were informed that afternoon by examiners representing those officials that unless provision were made for the payment in full of the depositors the banks would not be allowed to open for business on Monday morning, but would be placed in liquidation under a receivership. Needless to say, the Clearing House banks that took over their assets and assumed their liabilities met with a heavy loss by the operation. This experience suggested the desirability of Clearing House Examinations in the interest of the Associated banks and the general public.

Clearing Houses as a rule are voluntary associations established primarily for the convenience of their members in effecting their daily exchanges. In this process, however, the members have to trust each other for large amounts in the shape of daily balances payable in cash. Each bank member, therefore, becomes interested in the integrity of all, and all in each. But beyond this, in view of the awful calamities caused by bank failures and of the fact that the failure of one clearing house bank affects the confidence of the community in all, they become vitally interested in the maintenance among themselves of conservative management and proper business methods. Hence, only such banks as can stand a satisfactory preliminary examination are admitted to membership and only those whose condition continues to be satisfactory to a duly appointed committee can enjoy clearing house privileges. Members and affiliated member banks clearing through members are required to render to this committee copies of the statements they make to the Comptroller or to the State authority.

These disclosures in connection with the failures of these three banks showed the associated banks of Chicago that statements so rendered, which up to that time had been all the Clearing House Committee had to rely upon, and which, as published, form the basis of the standing and credit of banks with the public, could not be implicitly relied upon. It was therefore unanimously resolved to adopt a system of supervision under which there would be some assurance that such conditions could never again develop in any bank connected with the Chicago Clearing House Association. There was therefore organized a bureau of examination in connection with the Clearing House.

The strength of this bureau lies in the fact that it was thus evolved by the voluntary action of the associated banks for their individual benefit and protection. We were fully aware that external supervision under whatever authority it may be exercised does not absolutely guarantee sound and safe banking in individual cases. Honorable and intelligent initiative management can alone be relied on for the ultimate success of individual banks. But judicious and intelligent supervision in the mutual interest of all fosters and encourages conservative management in each. We further saw that it would not do to have the entire business of the individual banks disclosed to a committee made up of competitors in the business. We therefore devised the plan of appointing a competent examiner with a sufficient force of assistants to make as thorough an examination as possible of each bank at least once a year and report his findings in full detail to its directors. In this way as thorough an examination is made of each bank as would be made if the directors of their own initiative employed an outside expert to examine their banks and report to them. The examiner's complete report of each bank is sent to its president, the directors are all notified of its existence and are asked to personally peruse it and to acknowledge to the examiner the receipt of his notice. If, in the course of his examination, the examiner finds any bad debts, depreciated assets or other losses unprovided for, so that at a fair valuation the assets do not offset the liabilities, including the capital, surplus and undivided profits, as shown in the balance sheet, or if he discovers any irregularities in connection with the bookkeeping or management, he reports such findings to the Clearing House Committee. The Committee does not see the examiner's complete report as rendered to the directors. All that is found satisfactory is so reported to the Committee without detail. If, however, conditions are so bad as to make it necessary, the Committee has the right to call for a copy of the complete report so that it may deal intelligently with the case, but this is only when bad business so permeates the bank as to render its condition precarious. Thus, as nothing but bad and undesirable business comes to the Committee's attention, the members of it have no advantage through their position in competition with the other banks for desirable business.

Neither the examiner nor the Committee is hampered with restrictive rules and regulations. The examiner simply examines and reports upon the condition of each bank as he finds it, the same as any other expert examiner would do if employed by the directors for the purpose. Anything affecting the integrity of a bank's statement as rendered under oath to the Government and to the Clearing House and as published is reported to the Clearing House Committee. This is the whole matter in a nutshell. We have simply established two rules applicable to all banks connected with our Clearing House Association, and even these are unwritten. The first is that our statements as made and published must reveal the true conditions of our banks on the basis of their assets at a fair valuation being sufficient to offset their liabilities, including capital, surplus and undivided profits. In other words, their capital, surplus and un-

divided profits must always be represented by the approximate value, reasonably estimated, of their assets in excess of the amount of their liabilities to the public. The second is that from an ethical standpoint the management of our banks must be honorable and straight and their records and reports reliable.

The Clearing House Committee, duly elected once a year, are, with the examiner's reports to guide them, the judges as to whether the statements rendered to them by the banks five times a year are reasonably correct from the standpoint of those two unwritten rules. As already stated, we are not hampered with technical rules or regulations, or even with legal definitions or interpretations. We investigate and treat all on a reasonable business basis.

Under the National Bank Act no obligation due a bank is considered bad until interest is past due six months and not then if it is secured or in process of collection.

Our Committee might find difficulty in defining a bad debt, while they could recognize one if they saw it. They might regard as a bad debt an obligation on which interest has been paid six months in advance instead of having to wait until it is six months past due before they can so consider it. They regard the making and publishing of erroneous statements of a bank's condition as morally wrong, and therefore not permissible among banks associated together for their mutual benefit and protection, even if the making of such is not legally regarded as a misdemeanor. And they do not have to wait until a bank is actually insolvent in a legal sense before they can call it to time. A bank's statement must, on the basis of the examiner's report, be found reasonably accurate by the Committee or it cannot continue to enjoy clearing house privileges.

As to the ability of an examiner to pick out and report on bad debts and depreciated assets, he soon acquires a sufficient knowledge of local conditions to enable him to do so with reasonable accuracy. He subscribes to the commercial agencies and has the entire banking fraternity with which to consult as to the standing of any obligor or as to the value of any security. The longer he is on the job the more information he acquires and the more proficient he becomes. Besides having been for several years a bank inspector myself, I have had considerable experience with bank auditors and examiners, and my observation is that anyone of ordinary intelligence with a bank training and with adequate sources of information at his command can very soon classify a bank's assets with reasonable accuracy.

As to the practical working of Clearing House examinations in Chicago during the eleven years of their existence I can only say that it has proved in every way most satisfactory and successful. There has been neither friction nor unpleasantness. Bank directors realize the great benefits derived and are unstinted in their praise of them. They are greatly assisted by the examiner's reports in keeping themselves informed on the condition of their banks and they readily cooperate with the Clearing House Committee in the correction or elimination of anything open to criticism. Our experience has been that the banks have almost unanimously adopted every suggestion made by the Committee. I cannot, of course, discuss such details as would show its efficacy. I can only say that the results have been most satisfactory to all concerned and that much good has been accomplished for the Chicago banks individually and collectively.

The organization being entirely voluntary partakes somewhat of the nature of a gentleman's agreement, under which each bank binds itself to conduct its business under proper methods. The effectiveness of the method lies in the fact that they are all measured by the same standard, viz.: That their statements as rendered to the Clearing House Association must be satisfactory to the Committee, in view of the examiner's re-

ports upon them, otherwise they cannot continue to enjoy Clearing House privileges.

In no sense, however, does the Committee assume responsibility for the individual management of the banks or for the quality of all the loans current in them. This responsibility must always rest on the officers and directors of each bank.

All the Committee undertakes is to pass judgment, based on the examiner's report, on the reasonable integrity of each bank's assets and the general reliability of its statement. In the fact that the members of the Committee are posted on local credits and financial affairs lies the superior efficacy of Clearing House supervision. But the Committee is not omnipotent, it is only an ordinary human agency. It has no control of the initiative management of the banks under its supervision and under ordinary circumstances they are only examined once a year. The Committee fully realizes the heavy responsibility laid upon it. It has no easy problem to decide as to when or what action should be taken in connection with the condition of a badly managed bank. Conditions must become bad indeed and expostulation must have been exhausted before any supervisory authority, however constituted, will assume the responsibility of action that might lead to the closing of a bank's doors. If it were otherwise and such action were taken simply because something of minor importance in the bank was considered unsatisfactory such authority would be accused of causing a solvent bank to close and would be blamed not only by its stockholders, but by its depositors in whose behalf the action would be taken.

This does not, however, prevent the Committee from insisting that the published statements of the banks under their supervision must approximately reveal their true condition if they are to continue to enjoy Clearing House privileges, and this proves a sufficient deterrent to prevent the development of very bad conditions.

We have had no difficulty in securing the cooperation of all our banks, and it can now be relied on that no such condition as caused us to organize our examination bureau can ever again develop in any bank connected with our Clearing House. Bank supervision by examination on the part of a Clearing House committee, while probably the best and most effective external supervision possible, has its limitations which should be recognized by an intelligent public, and should not be held to a degree of responsibility which it does not assume.

Such then is the method adopted in Chicago and our experience of it. Some difficulties arise when it is proposed to extend our system to groups. In the first place any action taken must be entirely voluntary on the part of the banks to be examined. They would have to form some kind of voluntary organization among themselves, membership in which would depend on their continued ability to undergo a satisfactory examination and expulsion from which would be the penalty of their publishing statements that did not reveal their true condition. So far as numbers are concerned, less than half of the banks in Chicago are connected with the Clearing House Association. We recently adopted an insignia which is used by the members and affiliated members of the Clearing House on their stationery, checks, or by cards hung in their windows or at their counters, to indicate regular membership or affiliated membership in the association. Those of the public who appreciate the advantages of Clearing House supervision are thus in a position to discriminate in favor of the banks that enjoy it. The formation of such a voluntary organization in a group district might not be practical and there might be difficulty in getting a satisfactory committee to receive and act upon the examiner's reports. In re-

gard to towns with only a few banks in them it would, I fear, be practically impossible to secure the necessary cooperation among them to form an effective organization.

In regard to the extension of the mutual system of examination to districts, may we not hope that as the Federal Reserve system develops such satisfactory examination bureaus may be established for each of the twelve Federal Reserve districts, in their Federal Reserve Banks, as will make Clearing House examination bureaus unnecessary, not only for the districts, but also for the large cities. This, it seems to me, would be a beneficial development of the Federal Reserve system well worth striving for. It would necessitate some changes in the present laws. A law would be necessary to do away with the present dual authority by transferring to the Federal Reserve Board the duties and the department of the Comptroller. The country has become too large and the National banks too numerous for one man in Washington to undertake the supervision of them through the reports of his examiners; while the State banks as they join the Federal Reserve system come directly under the jurisdiction of the Federal Reserve Board, but remain beyond that of the Comptroller. The splitting up of the Comptroller's examination bureau into twelve bureaus in charge of the twelve Federal Reserve agents, as representatives of the Federal Reserve Board, in whom would be vested supreme authority and the right of final decision and action, would greatly simplify the work and increase the efficiency of Governmental supervision. Examiners could be gradually trained and developed under civil service rules in the Federal Reserve Banks and would become members of their official staffs on fixed salaries. All examination reports could be made in the first instance to the Federal Reserve agent of the district and by him forwarded to the Federal Reserve Board. At the same time certified copies of them could be sent to the presidents of the banks examined for the use of the directors, who could be individually notified of that action. Legal authority could be given the Federal Reserve Board to see that all statements of member banks rendered to it and published to the public should be bona fide in its opinion, with reasonable accuracy, approximately disclose their true condition, and to expel from the system any bank that persisted in publishing grossly erroneous statements after the attention of their directors had been drawn to the facts.

The State banking departments might be induced to rely on the reports of the Federal Reserve examiners in regard to State banks that have joined the Federal Reserve system. Certified copies of such reports could be sent them by the Federal Reserve agents.

Before such a system could be made effective it would be necessary that there should be a large influx into the Federal Reserve system of State institutions doing a commercial banking business. A fair start has already been made along this line, which will increase in momentum as the State banks feel their necessity for it and realize more fully the benefits to be derived from belonging to the system.

I merely throw out these suggestions as possible future developments of the Federal Reserve system. They cannot be accomplished all at once, but I see no reason why they should not be aimed at and finally realized. Few of us yet realize the importance of the Federal Reserve system as the reserve strength of the enormous banking system yet to be developed under it. That it is the mainstay of the future development of banking in this country there can be no doubt, and this being the case our attitude towards it should be one of cooperation, so that its development will be along sound lines for the benefit of its member banks as well as that of the public at large.

Analyses of Accounts, Service Charges, Minimum Balances, and Interest Paid on Balances

BY GEORGE WOODRUFF, President of the First National Bank of Joliet, Ill.

Mr. President and Gentlemen: I realize that the subject of analyses is preeminently dry, and to many people more or less uninteresting, but it seems to me that this particular phase of analyses, that is, the analysis of the progress of a bank, is to a certain extent new among bankers, and is very vital in connection with the conduct of our business and of our individual progress. We all understand that this an age of what might be termed *superefficiency*. So it has come about that we have realized more and more that the men who succeed are those who prepare intelligently for the work ahead of them. Hence, it seems to me that the average banker might do well to sort of make a contract with himself for ten years at a time, and then measure the result by the months; and, in order to work out what I have in mind and to make it more or less plain, I thought it might be well for me to gossip along with you about the progress of an imaginary bank that I have termed "The First National Bank of Smithville, Illinois."

You all have in your hands a paper, consisting of four sheets, that I have had printed as a sort of chart. Old man Smith, down in Smithville, decided that he ought to figure out about how he was going to stand ten years from now. So he drew up this first chart, the one that you will see marked "A." He drew that up in 1917, to cover the ten years up to 1927. He based his estimate upon the followings presumptions: First, that the annual increase in his business should be about \$200,000. He figured out what he had done in the past five or six years, and figured that if he was any good at all he should easily gain \$200,000 a year in deposits. Of course, if during any year he found that he had not gained that amount, why, he would know that he was falling behind his schedule. The next thing that he figured was what would be the average rate for money. He figured that money should earn him, over that period, an average rate of 5 per cent. Of course, that was based upon his own experience. It might possibly be that some other banks would get a little better average than that, and some perhaps a little less. He took 5 per cent. as the figure that he was going to base his estimates upon. Later on we will find that he actually coordinates the real amount that he received with these figures, figuring at 5 per cent. He figures all of these charts at 5 per cent. in order to have them harmonize and so that he may compare one year with another. Next he said, Well, now, what ought to be the net amount of operating profits to be earned on total deposits? He figured that at $1\frac{1}{4}$ per cent. You will see by the chart that he devoted to depreciation, losses, etc., $\frac{1}{4}$ per cent., because his experience had shown him that his depreciation and losses was a little less than a quarter of one per cent. That left him as the amount of net profits to be earned on his total deposits, 1 per cent. There again some bankers would figure higher, because they would make considerably more than 1 per cent. net profits. In picking out these different figures you will notice that he was particularly careful to be conservative. In other words, he wanted his chart to be absolutely possible of working out; he did not want to make a showing which he didn't have a good chance of attaining. He had in mind that should he beat his record, as he hoped to do, that after three or four years he might revise this ten year estimate and make a new ten year

estimate based upon conditions as he should find them at that time.

Now, based upon those figures, he took the year 1917 and found that his average deposits were \$1,500,000. He figured that the net profits, based upon his supposition, were \$15,000. His capital stock at this time, we will say, was \$100,000. He was paying a dividend of 8 per cent. So that after paying that dividend he had \$7,000 left over. His surplus at the beginning of this year was \$50,000. His bank stock was selling in the market down at Smithville at about \$175 a share. That is the way he started out.

In 1918 his average deposits were \$1,700,000; net profits, \$17,000. The next year his deposits ran up \$200,000 more. He paid the same dividend of 8 per cent., and his surplus and undivided profits reached \$77,000, and the folks down at Smithville, seeing that his bank was making progress, made his stock go to \$200 a share.

So it goes until 1921, when his average deposits are \$2,300,000. He is still paying 8 per cent. dividends on his old stock, and in that year he declares a 50 per cent. dividend, reduces his surplus and profit to \$55,000, still keeping the value of his stock at \$200. After that things were getting a little more prosperous. So he increased the dividend rate, as you will notice, on the new stock to 10 per cent. He paid 10 per cent. dividend until along in 1925, when his surplus and profits had increased so that he felt that he could declare another dividend, and which dividend at that time amounted to 33-1-3 per cent. Then in 1926, at the end of the year, we find that his deposits were \$3,300,000, his net profits \$33,000, his capital \$200,000, and he paid a dividend of 10 per cent., and his surplus and profits were \$70,000, and perhaps at that time the success of his bank would make the market value of the stock in the local market \$250.

Of course, gentlemen, this is an imaginary estimate, but that is the way he figured it.

He has increased his own salary perhaps, and, in addition to such stock as he may have owned in his own bank, he has acquired more.

Now let us turn over the page to chart "B." This chart is considerably simplified. The main items you will all recognize are right there. We will say this is for the month of June, 1917. Of course, each month there is a sheet like this made up. First of all, at the top of the sheet they have the average total deposits of the bank, which, in June, were \$1,500,000. The average total overdrafts were \$500. The average total loans were \$1,421,000. He arrived at these figures by having his bookkeeper simply average the items across the general ledger for each day of the month. His average reserve with the Federal Reserve Bank was \$95,000. His average cash in the vault at the end of the month was \$70,000. His average "Due from Other Banks"—because he had to keep some money in other banks—amounted to \$30,000. His average commercial department deposits amounted to \$1,000,000. Of course, his average commercial department overdrafts were small; they were \$500. He figured that the average percentage or the percentage of commercial department deposits to his total deposits was 66-2-3 per cent. That left for his time deposits \$500,000. He had no savings department deposits overdrafts; so the percentage of savings department deposits to total deposits was 33-1-3 per cent.

His average "Overhead Department" deposits, which really comprised his capital, surplus, and undivided profits, were \$150,000.

You will see that he had really three departments for the purpose of this analysis: A commercial department, a savings department, and what he termed an overhead department. Of course, the commercial department handled the checking accounts; the savings department handled the savings accounts, and in the overhead department were embraced the salaries of the executive officers, the expenses incurred in the loaning of the funds of the bank, and such other expenses as could not be charged to one or the other of the other two departments.

Now he wants to find out how much money he made during June out of these departments first mentioned, and how much it cost him to run the overhead department. First, he took the average department deposits, gross, \$1,500,000. From that he subtracted the following items—because he wanted to find out how much of those deposits he actually loaned. He had to take, of course, the reserve with the Federal Reserve Bank; the percentage of cash in the vault, and the percentage due from other banks. You will notice, under the commercial department, that he was required to keep a 7 per cent reserve. Of course, in the central reserve cities and in reserve cities the percentage would be different; but this was a country bank down there in Smithville. He subtracted those items that you will see there on the chart—and it is unnecessary for me to take the time to read them all to you in detail, but you will find that the sum total of the items equals the average total loans for the month.

Then he figured out the income on loans for the month, computed at 5 per cent. He takes an interest table and computes the interest for the number of days at 5 per cent., and he finds that is \$3,518.50 in the commercial department, \$1,842.46 in the savings department, and \$478.76 in the overhead department.

Then there are some little odds and ends to be added to that—\$10.02 in the commercial department, nothing in the other departments, and also the interest collected on bank balances—two-thirds of that to the commercial department and a third to the savings department. So that the gross department income was \$3,561.40 for the commercial department, \$1,858.90 for the savings department, and \$478.76 for the overhead department.

Now, then, out of this he takes his expenses for the month, and he does that by merely keeping his department expenses and his advertising expenses separate on his general ledger. So that at the end of the month he knows how much has been paid out for the maintenance of these various departments, in advertising, expenses, and whatever else there may be to pay. After making those deductions, the net department profit or loss is shown to be \$2,349.50 for the commercial department, \$445.95 for the savings department, and a loss in operating the overhead department of \$354.24.

Now, there is a nice thing about an out of town department. In case a bank has an out of town department in which it has a large number of accounts that it wishes to analyze, as we understand analysis, each month, it is well to put all of those accounts in one department and then analyze that one department under the head of "Out of Town Accounts," because at the end of the month you take the amount of profits that you made, under the department analyses that we have been talking about, and that should amount to the sum of the profits shown by the individual analyses. In this

way you not only have another check on the department analyses, but you actually prove the result.

After Smith arrived at this point here in June those were interesting figures to him, but he did not have time always to go over every month all of these figures. So he wanted to get something that could be placed on his desk that would tell him the story a little plainer. So he has the sheet marked "C" placed upon his desk at the end of the month. This is a kind of a digest of the results obtained. It is called "Monthly Operating Profit Report." It is gotten up for two years. It would probably be a good idea to get it up for five years, so that you would always have the preceding year's net sheet in front of you. For instance, if in June, 1917, you see how easy it is for Mr. Smith to compare the profits, from the result of his bank's business, with the month of June, 1915. Just look at the items on this chart. First he has the total income of the commercial department. Let us look at June. It is \$3,561.40. Then the commercial department expense, \$1,211.90. And the net commercial department operating profit, \$2,349.50.

Underneath that you will find the next year. It is interesting to study these items.

This sheet is gotten up in a very convenient way. Brother Smith can compare the figures of each month with the same month in the preceding year. The aggregate profits of all the departments are added together.

That is about all there is to this—except there is just one more little chart on the back. That is in order to make it perfectly plain to Mr. Smith, as he is really keeping this before him, that he is actually maintaining his schedule. He gets this all down now to the basis of how much has been earned on each \$1,000 deposits. It would be necessary for him to earn $1\frac{1}{4}$ per cent. on the total deposits per year. But that divided by 12, the number of months in the year, would result in his bank having to earn \$1.04 per month on each \$1,000 of deposits for each month in order to make the profit and keep up to the schedule that he has set for himself. Now the way he figures that is first in the overhead department. He wants to know the amount of loss, and the way he gets at that is to take the total losses in dollars and cents and divide it by the total number of thousand dollars' deposits. That amounted to twenty-four cents. Then he takes the amount of net operating profit per \$1,000 commercial department deposits, less the cost per \$1,000 of operating the overhead department. Then he takes the same thing in the savings department, and so on. Then down at the bottom the sheet shows ".598," which means surplus; and he is perfectly satisfied and is good natured, and feels easy about the progress during the month.

The advantage of all this to Mr. Smith is this: That so long as he has shown any surplus in any month he is satisfied, but when they begin to run down, why, he can refer to these figures and find out why they ran down, just what item the deficit occurred in, and trace it out.

It is very nice, indeed, if you to listen to me so attentively on a subject so extraordinarily dry. It does seem to me, though, in these days of charts and well-laid plans, that the course of the banker's career should not remain uncharted and his destination in life unknown, and I believe that this system—or a system somewhat similar—would make it possible to chart his force understandingly, and thus enable him to steer toward the goal of success surely and intelligently. I thank you for your kind attention.

Operation of Country Clearing Houses

By CHARLES W. WATSON, Ex-Manager Kansas City Clearing House Association, Kansas City, Mo.

The Country Clearing House, like any other department of Clearing House Associations, or, for that matter, any other institution in connection with banking possessing real merit, requires no publicity department to commend it to those it is intended to serve. It may be, however, that the lack of any general educational propaganda in connection with Country Clearing Houses partially excuses the incorrect statement, published in a financial journal and purporting to have been made by an officer of a Federal Reserve Bank, to the effect that, until the establishment of the Federal Reserve Bank, no direct, economical and scientific method had been put into operation for the collection of country checks.

In view of the protection afforded members and the recognized possibilities of the Federal Reserve Banks, I realize that it is not popular to criticize any feature of the system. Nevertheless, in view of the above statement and others that I consider equally as reckless, that appear to be a reflection on the efficiency of the Country Clearing Houses, I consider it proper at this time to make some comparison between the work of the Country Clearing Houses and the efforts of the Federal Reserve Banks in the same direction.

Country Clearing Houses, operating in territories from which business naturally flows to the cities in which they are located, are handling items as direct as the mail service of the Government will permit.

If there was no scientific method prior to the establishment of the Federal Reserve System, there is none now. The Federal Reserve Banks simply copied the methods used by the several Country Clearing Houses of the United States. So closely was our system followed, that in the city of Boston the Country Department of the Clearing House Association was taken over by the Federal Reserve Bank of that city. This was made possible, as I understand the situation, by reason of the fact that the two institutions covered the same territory and the Boston Country Department met the Federal Reserve requirements as to exchange charges. This territory being Boston's natural trade territory, small in area, with excellent mail facilities, and the Boston Association having brot their system to a high state of efficiency, the Federal Reserve Bank has, I understand, been able to operate it satisfactorily. But there has been no reduction in cost or the directness of the presentation of checks in that district.

There are twelve Federal Reserve Banks operating Country Collection Departments. There are eleven Country Clearing Houses reporting to the Clearing House Section of the American Bankers Association. Four of these are located in Federal Reserve cities: New York, St. Louis, Richmond and Kansas City.

In New York the Federal Reserve Bank per item charge is one cent and they show a deficit for the first six months of 1917 of \$18,265.00. The actual cost per item to the New York Country Clearing House is $5\frac{1}{100}$ ths of a cent.

The St. Louis Clearing House accepts items from its members on the territory it covers in the same form that items are deposited with the Federal Reserve Bank and the handling cost for the first six months of this year was 8 mills per item, while the handling cost indicated by the report of the Federal Reserve Bank of that city was 12 mills per item.

In Richmond the Federal Reserve Bank per item charge is $1\frac{1}{4}$ c., which shows a very small margin of profit, while the actual cost to the Country Collection Depart-

ment of the Clearing House, handling practically the same number of items, is less than 8 mills per item.

The Kansas City Federal Reserve Bank per item-charge is $1\frac{1}{2}$ c. per item on which they show a profit of \$103.00 for the first six months of 1917. The actual cost per item in the Kansas City Clearing House during the same period is 8 mills.

The per item charges in the Federal Reserve Banks vary from 1c. to 2c. per item. On this basis the twelve banks show a deficit of \$12,156.00, for the first six months of 1917.

The average actual cost in the eleven Country Clearing Houses is less than 1c. per item. The highest cost in any of these Associations is less than the lowest cost in any Federal Reserve Bank.

The reason given in the statement referred to for the alleged conditions existing before the establishment of the Federal Reserve Bank was: "the impossibility of securing the co-operation of any number of banks." Our experience does not confirm this statement. Prior to the establishment of the Federal Reserve System, the Kansas City Country Clearing House had the co-operation of over 3,000 banks in its trade territory, giving it access to nearly 6,000 banks. We collected checks on every bank in that territory, except a few whose business methods were such as to indicate dangerous conditions, or whose greed in connection with charges made co-operation prohibitive. Since the establishment of the Federal Reserve Bank we have had to add to the above class only thirteen National Banks.

Our Clearing House Association has gone the limit in supporting, encouraging, co-operation with and "Boosting" the Federal Reserve System. We went so far as to adopt this rule: "All items which the Federal Reserve Bank of Kansas City will receive from its member banks without exchange charge, may be accepted at par by the Kansas City Banks." As a result, our member banks accept items and absorb the service charge of the Federal Reserve Bank.

We naturally suppose that any banker would be willing to remit voluntarily to any Clearing House Association on a basis equally favorable with the terms required by law and rules of the Federal Reserve Bank.

We have also added a few State Banks to the above list. These banks charged us excess in the past. Why they charge the Country Clearing House and remit at par to the Federal Reserve Bank is beyond my understanding—and no doubt due to a misunderstanding on their part.

The number not co-operating is inconsequential. It is most gratifying to have the co-operation of that large number of bankers who show appreciation of the advantages of continuing voluntarily this most important function of the banking system of the country.

Let us make a little comparison of the ability of the Country Clearing House to secure the co-operation of the banks, with that of the Federal Reserve System. The Federal Reserve Bulletin for August shows the number of banks on which the twelve Federal Reserve Banks are prepared to collect items. This list includes 7,666 members of the Federal Reserve System that had no choice in the matter. This list includes 249 State Banks in the Boston District, previously secured by the Clearing House Association of that city. To this is added 8,556 other State Banks, an unknown number of which were coerced by the use of the Express Companies—a medium far more expensive than the former charges of these

State Banks—and a threat to use that powerful arm of the Government, the Post Office Department, another medium of transportation of funds at a greater expense than the average exchange charge made by banks—making a grand total of 16,471 banks. Again this, the eleven Country Clearing Houses reporting to the American Bankers Association, are prepared to collect items on 18,146 banks, without compulsion and purely voluntarily on the part of the remitting banks.

We are adding to that number daily.

I realize, of course, that the Federal Reserve Banks could make it impracticable for the banks to continue the Country Clearing Houses. This could be done—as suggested by one official—by eliminating the per item charge from the Country Collection Department and absorbing the cost in some other department.

This, however, would be merely shifting the burden and an admission of the superior efficiency and more economical methods of the Country Clearing Houses.

While there is a possibility for the development of an efficient system through the Federal Reserve Banks, that system has not yet been developed to a degree where items can be handled at as small a cost as they are now handled through the Country Clearing Houses and until the Federal Reserve Banks reach that point there is no reason to assume that the Country Clearing Houses are to be supplanted by the Federal Reserve Banks.

The Country Clearing House system of collecting country checks has been known to the banking fraternity for nearly sixty years. A movement for the establishment of Country Clearing Houses in this country was first considered by the bankers in the city of Boston in 1877. Their present system, now operated by the Federal Reserve Bank of that city, was put into operation in the year 1899. As the country developed and the volume of checks increased from year to year, other cities found it expedient to adopt this method. There are now eleven large cities and a number of small ones operating Country Clearing Houses. Unhampered by discriminating laws or arbitrary actions on the part of those in authority or the possible invention of some better method, not yet suggested, this system will continue to expand, until every city handling a sufficient number of checks to make it feasible will adopt this method. There are now two in course of organization. This system could, I believe, effect a further saving by arranging to exchange checks between Clearing Houses. This idea was suggested by Mr. Ruggles of Boston in a very able paper on the subject of Clearing Houses, published in the year 1909. Two or three years ago, Mr. White of St. Louis proposed that the Clearing Houses of that city and Kansas City arrange to exchange checks in this manner. We have delayed action pending the outcome of the present general agitation on this subject.

In discussing the operation of Country Clearing Houses, I shall refer principally to the one in Kansas City. Not that we claim any superiority but for the reason that I am naturally more familiar with the operations there. I am sure, however, that you will realize that we have a very effective system when I tell you that it was instituted by that widely known organizing genius, Mr. Jerome Thralls, now secretary of the National Bank Section and Clearing House Section of the A. B. A.

In fact, as far as principle is concerned, they are all the same. We may differ as to the method of sorting checks, handling transit, making settlements, figuring exchange and other minor matters, but as to essentials all are practically the same.

It is our experience that the territory to be covered by the Country Collection Department should as nearly as possible include only the natural trade territory of the city in which the Clearing House is located. To go beyond that is to invite trouble in the form of excessive charges, unavailable exchange and vexatious delays in receiving returns. I believe it is better to start with a

small territory and gradually expand as conditions warrant and satisfactory arrangements can be made for the handling of the items.

The question of just what class of items the members should be required to collect through the Country Collection Department is one on which there is some difference of opinion. In our Association, part of our territory is optional with the members as to whether or not they collect items through the Country Clearing House. On our principal territory the members are required to collect all items through the Country Collection Department, except: (1) items sent direct to regular correspondents (banks carrying deposit accounts with such members) on their own towns. (2) items which can be collected otherwise without exchange charge.

This last exception results in the Clearing House getting all the high cost items and not all the low and no cost. As a result, we do not get full credit for exchange reductions made. It often happens, after we arrange with a bank to remit for items without exchange charges, we find several members have arranged for the same terms with the same bank or some other bank in the same town. This increases the proportionate cost to those members who continue to send through the Country Collection Department and at increased expense to the members that send direct. Their theory is, that by establishing this direct connection they may ultimately secure a deposit account. We have never known of a deposit being obtained in this way and we do know of several instances in which it has caused dissatisfaction, resulting in the loss of favorable terms to the Association.

The handling cost to member banks up to the point where the items are ready for the letter of transmittal is the same when they send through the Country Collection Department as when sent to their own correspondence. It is just at this point that the saving begins.

Instead of each bank that may have items on a given point using a letter, envelope and labor necessary to enclose, address, trace in case of loss, etc., they are taken to the Country Collection Department where one letter, one envelope and one transaction is used for all, and the member bank is relieved of handling the returns. We find that on an average, items from four banks are represented for each two cents in postage used. The saving through the Kansas City Clearing House on stamps and stationery alone is approximately \$35,000.00 per year. This does not include labor. By far the largest item of saving, however, has been in the exchange account.

Any banker, if his policy is to remit for all items at actual cost to him, say 5 cents per letter, would prefer to save the extra labor by writing one draft for items endorsed by ten banks contained in one letter than to write ten drafts for items endorsed by ten banks enclosed in as many letters. The same is true, in a lesser degree, with those who seek to make a profit in remitting for their customers' checks. This has enabled our members to handle a large volume of business on more favorable terms for their customers than otherwise would have been possible.

On the question of exchange we have always recognized that there is a cost to be absorbed somewhere along the line because of the necessity in transferring funds.

The principle of our rule has always been that we permit the remitting bank to fix the rate. We designate the points on which we can collect items as Discretionary points and Common Charge Points. All points where we can arrange with a bank to remit promptly in acceptable exchange without deductions, other than to cover the cost of postage, are listed as Discretionary points, and all members are allowed to accept items on such points without exchange charge. On points where the banks charge for remitting, we obtain the best possible rate, and list such points as Common Charge, at the quoted rate, be that 10 cents, 15 cents or 25 cents per hundred,

and our members are advised to charge a like rate when accepting items on such points. By this you will see we simply apply the rate fixed by the remitting bank. If a charge is made, our members charge it back to their endorsers, who can, if they desire, pass it on down the line until it reaches the drawer of the check. It is then a question between the maker and the bank on which drawn, as it should be. It would seem that no banker could consistently object to this plan. We have a few that do.

Just recently my attention was called to a bank on our Discretionary List, charging at a rate that was causing a loss to our members of about \$20 per month. We immediately wrote the cashier but received no reply. When we issued our revised guide, at the close of the month, this bank was included in the Common Charge List. Then we heard from him. What Andrew Jackson did to the second Bank of the United States is mild to what this fellow proposes to do to the Kansas City Clearing House Association.

We have another case pending, where we found that the bank in question carried no account in Kansas City, but for some time had been charging the Collection Department at a rate that netted him about \$30 per month. We placed that bank on the Common Charge List. In a few days the cashier called on us and among other things threatened to take the matter up with the United States Attorney and have us prosecuted. We told him we could not see how the Government could consistently make us pay him exchange that we did not receive. His position is, that our members should be able to make sufficient profit on the accounts to which the checks on his bank are credited, to allow him to discount these checks. He is not particular whether the members pay a less rate of interest on the deposit, or charge a higher rate for money loaned the customer that happens to be so unfortunate as to come into possession of checks on his bank. All he wants is to continue to make his "regular charge," as he termed it, and have us accept his checks on the same basis as we do checks on banks that do not charge exchange. The strange part of this case is, I really believe the fellow has convinced himself that he is right.

One banker wrote us that if we did not remove his bank from the Common Charge List, he would hold up our letters, and wanted to know what we could do about it. Our reply was that we did not believe that he would be guilty of such a dishonest practice. If so, we would simply refuse to handle checks on his bank, returning same to the maker with the information that he withheld remittances.

We have a case pending, in which on two different occasions our letters had been outstanding from five to ten days. The deductions on these letters were \$10. We wrote the bank that instead of making any deductions, that we were entitled to interest on the funds for the extra time the items had been outstanding. Up to date I have received no reply. We have made this a Common Charge point, and if we do not receive a satisfactory explanation and a refund of this charge, we will refuse to handle items on that point.

We find that some of the most unreasonable cases to deal with are those where one man or group of men control several banks and have sort of a monopoly of the banking business in a certain section. We have had cases where one of these banks would remit with a draft on another bank in the same group and that bank in turn remit with a draft on still another bank in the same group. We occasionally have to mail three or four letters before getting final returns on items drawn on banks of this character.

The most annoying cases to deal with are those few bankers that refuse to be governed by any reasonable limitations. In making rates it is impracticable to have more than two or three quoted rates. It would seem that rates of 10c., 15c. and 25c. per hundred dollars should afford sufficient latitude to satisfy any reasonable person. There

are a few, however, that refuse to confine themselves to our highest rate. Usually these are banks on which we only receive an occasional item. In fact, this class are so few that we have seldom taken any action to protect ourselves. In the interest of good banking, however, I believe some concerted action should be taken to eliminate this practice.

One of the worst cases I have in mind was a small bank in Missouri. We sent them an item of 90c. They returned a draft on a neighboring town for 75c. We wrote them a letter and told them we did not understand why they did not keep the 75c. and send us the 15c., as one was as easy to do as the other and just as legitimate.

Our members are not required to charge exchange on items of \$10 or less, and yet we sometimes sustain a charge of 10c. or 15c. on such checks. While these cases are so few as to have no appreciable effect when taken into the total volume of business, they are the cause of a great deal of criticism being directed at the banking system as a whole. We believe an effort should be made to enlist the support of all fair-minded bankers in putting a stop to the practice.

We recently adopted the following form to be used on checks drawn on banks that persist in making prohibitive charges:

We refuse to collect items on this bank on account of charges.
They deducted.....from our letter amounting.....
which is more than we care to absorb.
This office will accommodate any bank by clearing its checks and absorb the cost of handling, including postage, providing it remits promptly without discount.

KANSAS CITY CLEARING HOUSE ASSN.

Where we do not want to go to the extent of refusing to handle the items but merely want to call our endorsers' attention to a charge, we use the following form:

The.....Bank:
The.....Bank of.....
deducted.....from our letter of.....
Your proportion of this is.....
Please charge this amount to endorsers' of items.
Our rule is to absorb all cost of handling and only charge back deductions made by bank on which items are drawn.

KANSAS CITY CLEARING HOUSE ASSN.

We believe that these banks that make unreasonable charges are a detriment to the banking system as a whole. Just as bank failures cause a general feeling of distrust, these exorbitant charges cause a feeling of resentment against the banking system generally.

There are, of course, points where rather heavy exchange charges are legitimate.

In the great Western section of the country new mining territory is being discovered, new oil fields developed and new agricultural lands being opened for settlement. New towns spring up over night. Banks are a great convenience in these new towns. At first deposits are largely temporary, and these banks could not make a reasonable return on the capital invested out of loanable funds. There is also a much greater risk in connection with the business in these communities than in old established communities. If their charges are less than express or post-office rates, instead of it being a tax on the commerce of the country, they reduce the cost of exchange and are of great assistance in the development of their respective sections.

The competent banker knows better than any outsider when his business has reached the point where it is to his advantage to reduce or eliminate exchange charges and depend on the greater volume of business which can be created thereby.

Where banks make reasonable charges, remit promptly in acceptable exchange, and these rates are published—as in the case of those banks on our Common Charge List—it is a fair, open, business proposition. It is entirely different from those cases where the bankers seek to derive the advantages of being on a Discretionary List and at the same time discount their own checks.

I can see where it might be a proper function of the Government to fix a maximum rate. They fix the maximum rate to be charged for the use of money. On the same theory, they could fix the maximum rate to be charged for the transportation of money. It would seem proper, if that is done, to also limit the amount of profit to be derived from the business of buying and selling Foreign Exchange. The average American bank customer is amply able to take care of himself. Far more so than a large number of people who do business with Foreign Exchange houses, a great number of which are not subject to Government supervision of any kind.

I believe the suggestion that banks that charge exchange on checks drawn by their customers be required to print the rate on their checks, is worthy of consideration. This would be even better notice than the published guides of the Clearing House Associations.

I believe that we are learning and making improvements in our methods from year to year, and while we have some troublesome cases to deal with, in the main, our relations with the banks in our territory are very

pleasant. Our correspondents are, with few exceptions, fair and honorable in their dealings; shrewd but honest; thrifty but reasonable.

The large majority of bankers doing business in that vast agricultural territory of which Kansas City is the business center, want only a square deal.

I take it that our section is typical of the territories represented by you gentlemen.

I am proud to note that for the first six months of the year 1917 the eleven Country Clearing Houses reporting to the American Bankers' Association collected over \$1,700,000,000 of so-called country checks. This is double the number handled for the same period in 1916 and over three times the amount handled in the year 1915. In spite of the increased cost in labor and supplies, this vast volume of business handled in the year 1917 has been handled at a reduced cost to the Associated Banks.

Our experience has convinced us that the Country Clearing House is the best medium yet devised for the direct, economical and scientific handling of country checks.

"The Credit Interchange Bureau"

By H. A. WHITING, Secretary of the Association of Credit Men, Boston, Mass.

Mr. President and Members of the Clearing House Section of the American Bankers Association:

I have been invited to your Convention to speak upon the subject of Credit Interchange Bureaus, of the benefits which accrue to members through their establishment and use, and of the influences they exert as a factor in our commercial life.

I can assure you that it gives me much pleasure to accept your cordial invitation and to extend greetings from the Boston Credit Men's Association. I am sure you feel that credit men in all lines of business are your friends and that they are always ready and willing to assist you in every possible way.

The development of the credit system of this country for the protection of credit grantors necessitates the exchange of information among them, and the establishment of the Credit Interchange Bureau has naturally followed. A large number of these Bureaus have been established by affiliated branches of the National Association of Credit Men throughout the United States. These Bureaus also endeavor, through uniform action, to correct evils and abuses which exist in credit transactions to a certain extent, thereby making it safer for all to do business on credit. If reforms are to be instituted or progress is to be made in credit granting, how better can it be done than through united action? The underlying principle of progress is that men can do collectively that which it is impossible to do individually. In business the common good for all should prevail over the immediate advantage for one.

As a reason for co-operation in the exchange of credit information, it has been stated upon good authority that only a small percentage of the smaller merchants, in taking an inventory, can determine their own financial condition, and that a large number of these, by their crude methods of accounting, cannot tell whether they have made a profit or not, or even tell what expenses have been incurred in conducting business, and many are without a true conception of the purpose for which a financial statement is made. I have examined two financial statements within the past ten days which were manifestly false, though accepted as a basis for credit. Either the debtors were in ignorance of their true condition, or they had imagined an increase as to their worth with a shrewdness which looked exceedingly dishonest. Is there any better way to check up these statements than by the Credit Bureau?

You should also have in mind the large number of merchants doing business, having but a blank or limited capital rating, which means that a majority of them are largely a moral risk. In what better manner can you check them on this basis than through the use of the Bureau? The information which comes to the knowledge of credit men who co-operate in the exchange of credit information has a direct influence in the granting of credit.

The Bureau is also of the greatest assistance in passing upon credits. From the references it furnishes, one can quickly learn where a party buys, how he buys, or if credit has been refused. In the opening of new accounts and the investigation of slow or unsatisfactory accounts, the value of the Bureau is unquestioned, for by its methods of operation the standing of a customer can be determined with an exactness not possible through any other source.

The plan of the Credit Interchange Bureau of the Boston Credit Men's Association provides for a reference card system in the Association office. This card gives only the name and address of customer and the code number of the Bureau members selling same.

In joining, the member furnishes the Bureau with a list of the names and addresses of his customers, which are checked upon the cards in the Bureau files under the number which has been assigned to him, and the original list is then returned to the member.

These files are in the custody of the Secretary and his assistant, and are inaccessible to all other persons, including the officers of the Association.

The operation of the Bureau is simple. When a member desires infor-

mation on a certain party he communicates with the Bureau office, either by messenger, mail or telephone, and receives the names of the members selling such party. The member then refers directly to these members, who are interested, thus obtaining reliable and up-to-date information, when such information is most desired.

Members report to the Bureau all new accounts as soon as opened, and same are entered in regular form, thereby keeping the Bureau files up-to-date. If this is not done they lose an important part of the Bureau's service. Members cannot be informed of an unusual number of calls for references on a customer, apparently overbuying or getting slow, if their number is not listed on customer's card in the Bureau files.

The Bureau furnishes references under the following conditions: when inquiring member has an open account; a bona fide first order; or a direct application for credit.

There are numbers of cases where parties build up their credit by keeping accounts good with a few houses, simply using them as references in order to secure goods from other houses. From the Bureau you get all the references on file, which serve as an added check upon the buyer.

Some other advantages of the Bureau service are:

Direct inquiry upon those interested, meaning a great saving in time, and fostering the spirit of friendly competition; all information the latest obtainable; knowledge of the source of your information; interchange in many lines of trade not necessarily confined to competitors; interchange with affiliated associations in all parts of the country; no information given without receiving its equivalent; elimination of the undesirable buyer to a great extent; aids in keeping tabs on special accounts; saves the time of the credit man, which is an important factor; tells you whether your customer is paying the new creditor promptly and allowing you to wait; tells you whether a customer is overbuying, or is buying in other than his legitimate territory; invaluable in passing mail orders, doubtful orders and store sales for immediate delivery; saves you from loss that comes when a well-rated customer tries to open an account with you after having been refused further credit by your competitor because of slow pay. Such situations are occurring every day.

Many business houses have thousands of dollars extended to old customers. These accounts are carried and figured as tangible assets. The credit information files should be kept up-to-date and new information requested at regular intervals, and for this purpose the use of the Credit Interchange Bureau will be found most beneficial.

One of the functions of the credit man is to secure a proper and efficient investigation of the character, capacity and capital of the customer. Is there any good excuse for the credit man not to know of these three "C's" in business, when he has the Bureau at his disposal?

It is, therefore, the duty of every business house to surround its credit department with every safeguard for the proper checking up of a customer's credit standing. It is also the duty of the credit man to take advantage of every method at his command to further the welfare and prosperity of his house, for its success depends largely upon his sound judgment.

Successful credit granting is neither measured by the small number of bad accounts, nor by the large number of orders turned down. It is easy to pass orders on parties whose credit standing is unquestioned, but modern business demands that reasonable chances be taken, depending upon the credit man's collection ability to collect the accounts.

The efficiency of a Credit Interchange Bureau depends to a great extent upon the cooperation of its members. It is really a part of their own business, and practically all the members realize this and give it close attention, the same as they would any other detail of their business.

There is another feature of the Bureau that is not often taken into consideration, and that is the fact that when you are a member, if an inquiry is made upon one of your customers, the receipt of the interchange information blank is a reminder to you, without your initiation, that some other member has received a first order, or feels that the condition of the account from their standpoint requires looking up. This reminder comes to you automatically and is most valuable.

Again, it is found that retailers have a habit of spreading out too much in their purchases. You can hardly blame them when they are so persistently solicited for business. Such a course eventually means disaster in many cases, and it is found that when the end is reached some debtors had from two hundred to three hundred per cent. more creditors than their business warranted. Of course there are exceptions, but if you fortify your credit department with the Credit Interchange Bureau, you will have less use for the Adjustment Bureau.

In these days of keen competition and constant increase in the cost of doing business, there is the ever-present necessity of adding to the volume of business done as well as keeping the losses from bad debts at the smallest possible percentage.

A member should always co-operate heartily by answering all inquiries made upon him promptly, giving information in full, otherwise it is of doubtful value. He should not evade answering proper inquiries. Write a personal letter if necessary, setting forth special information in detail; in brief, practice the golden rule by answering the inquiries of other members as you would have them answer yours. Such a course promotes co-operation and friendly feeling.

There is no question that by co-operation through the exchange of credit information credit men can guard their accounts in a better manner and less expensively than by any other method.

Many believe in the beneficial results of the Credit Interchange Bureau but decline their support by membership. These Bureaus to be a success and do the practical work must be morally as well as financially supported. The idea should not be wholly what do we get out of it, but rather tending for a fair consideration of the advantages of working together for the best interests of all. If it is advantageous for one line of business to belong to a Credit Interchange Bureau, it certainly must be equally advantageous to another. Without doubt, this same principle of community of interest applies to bankers as well as merchants.

In the matter of declining membership in the Bureau, it would seem that the principal reason is an unwillingness to co-operate with competitors, and the desire to play the credit game alone. It is known that some houses frequently have a clerk call up a number of houses whom they think *might* be selling an account, to see if they actually are or are not. This not only wastes their own time but that of the house upon whom they call, in searching for credit experience. This angling for credit information upon a prospective customer with a view to selling him if reports are satisfactory, cannot be too strongly condemned. Such procedure is eliminated by membership in the Bureau, as there is a rule covering this situation.

Having described the operation of the Credit Interchange Bureau through its use by the merchants, the next thing to be considered is how such a Bureau, if established, would be of benefit to the bankers.

A bank Credit Interchange Bureau, to be effective, must be operated so as to deal with the credit of borrowers, and the card reference system is suggested. This plan of operation, with some slight modifications, seems to meet the requirements of the banker, and is less expensive to maintain.

The listing of the names and addresses of depositors would be of little value as a credit proposition, and many banks would object to such a proceeding and be unwilling to file same, although any bank could, if it desired, keep a record of the names of business houses, taken from the checks which pass through their banks; so really the filing of the names of depositors would be of little moment.

If the bankers organize a Credit Interchange Bureau, the first thing to be done is to outline a policy that would be co-operative and at the same time produce results, even though limited for the time being.

To launch such a plan would require the heartiest co-operation and would also require a large representation of banks to make it effective.

They should not try to do too much at first. It is the rule, rather than the exception, that organizations endeavor to cover too much at the start, rather than beginning in a modest way and progressing as its requirements are developed. Loyalty and enthusiasm of the members are also necessary. They are the two most important factors.

Do not adopt too many rules; it is one thing to make rules and another to enforce them. Requiring complicated procedure in order to participate in the facilities of the Bureau will be detrimental to its development and progress, thereby inviting lack of co-operation. This means lessened efficiency and service to all members.

The information held by banks is of a confidential nature and when secured should be held in strictest confidence. This form of credit information cannot be built up without discretion, co-operation and confidence.

The furnishing to inquiring members of the names of other banks at present interested, or who have had former experiences with the party inquired upon, is very important, for it is here that the personal element of the credit men conferring together enters the situation and brings about a closer co-operation. This oftentimes results in the exchange of credit information of a confidential character that could not be collected and compiled through a Bureau which issued reports and made them a matter of record.

I understand that the commercial paper sold by brokers finds its way into your banks from all over the United States, and that every name offered in the open market is subjected to a considerable amount of inquiry, and instances have been known where a single bank has sent out as many inquiries on the same name as there were banks in the city, the result being that inquiries were not conducted on a retail, but a wholesale basis.

All large banks maintain extensive credit departments, and while they are and would continue to be necessary adjuncts, they could be saved a lot of unnecessary work by the establishment of a Credit Interchange Bureau in connection with the Clearing House.

There is no doubt but what there would be opposition from some quarters against a Clearing House taking up such work, but nevertheless the opportunity is there, and if the initiative is taken by a few of the banks, it is believed that others will co-operate, and in the end there may be established a strong Credit Interchange Bureau serving its members with distinct success.

When our Bureau was established in Boston there was opposition from some, and an apathetic attitude from others, but many of these have since become our most active members.

The foundation of the Credit Interchange Bureau is co-operation, and in the short term of years they have been in operation they have accomplished much to safeguard credit granting.

Through their efforts the old-time methods of secrecy and unfairness have to a great extent disappeared, and in their place to-day you will find the most successful business houses exchanging credit information in the frankest possible manner, for they realize that this kind of co-operation is not a one-sided affair, and that they are in a sense dependent upon each other.

We all know what co-operation has done in the past in the successful solution of problems, and we know what it can do in the future to solve problems confronting us if we would all practice it. But problems will never end and improvement will never end so long as the human race inhabits the earth.

So while we are here let us endeavor to progress through co-operation with our fellow men, even though our efforts and struggles are difficult to surmount, to the end that success may be achieved. (Applause.)

Standardized Financial Statements and Clearing House Departments of Credit

By FRANCIS COATES, JR., Examiner, Cleveland Clearing House Association.

The subject of "Standardized Financial Statements" is one that I have discussed fully in the past, and most of you are, I believe, familiar with these discussions. While old enough to have been worn threadbare, the subject is still comparatively new, recurring at frequent periods for rediscussion, and being kept almost constantly under consideration by those who come in contact with credits—bankers, commercial men, credit men in various lines, and credit organizations.

The subject is of particular interest and importance just at this time, and in this meeting, as a special committee will present, at this convention of the American Bankers' Association, a set of financial statement forms for its approval and adoption, as being the standardized forms to be recommended by it. This action will be far reaching in its effect on the future methods of practically every bank in the United States, members of the Association, and the adoption of the forms by them will undoubtedly extend their use to the credit departments of practically every financial and commercial institution in the country.

Since its appointment at the Kansas City Convention last year, I have been much interested in the development of the work of this special committee on credit forms, and I was gratified to learn that the proposed forms had been completed, and published, in advance of the Convention, in the August number of the A. B. A. JOURNAL, where they have, no doubt, been brought to the attention of all of you.

As you are perhaps aware, the Cleveland Clearing House Association was the pioneer in the adoption of standardized financial statements, formal action having been taken by the Association in a resolution passed on August 4, 1915, in which standardized forms were recom-

mended to the use of all of the banks in our community enjoying Clearing House privileges. The forms were adopted by all banks without exception, and have since been in constant use.

During the interim since August, 1915, their use has been largely extended by their adoption, as standard, in other Clearing Houses and Clearing House cities, and also in banks and business houses in many of the smaller cities, until today my records show that we have supplied orders aggregating one-half million copies of the forms to some 435 institutions throughout twenty States, extending from the Gulf to Canada, and from the Atlantic to the Pacific coasts.

The fact that this wide distribution has not been fostered or extended by any National or State association either of bankers, or credit men, or commercial men, but is the result of direct inquiry and investigation; that the forms have been approved by the Federal Reserve Bank and have been widely recommended for use by National and State bank examiners, leads us to believe that our forms contain many points of merit, and it is by reason of this belief and the manner in which the forms have worked out our problems in Cleveland, that I feel warranted to discuss before you the forms as printed in the August A. B. A. JOURNAL; which I understand are to be submitted for approval before this Convention.

Realizing that the captions of the accounts appearing in the formal schedules of assets and liabilities are subject to local conditions in various sections of the country, and to the various lines of business represented; also the fact that the brevity or the exhaustiveness of the questionnaire is dependent largely upon local or personal considerations, and that both may be amended or corrected to suit the special

conditions, I offer no comments on these points, feeling sure that they will take care of themselves in the general discussion of the subject. The scope of the questionnaire is largely dependent on local conditions. The exhaustive questionnaire used in the larger communities, where the personal equation between banker and borrower is not so tangible a consideration as in the smaller communities, would not be necessary in the latter, although we know by experience that its being embodied in the statement brings forth information and data which could be secured in no other way. *It is a great educative agency!* This is illuminated by the comment of one of the members of the A. B. A. committee, who is quoted as saying that "of statements analyzed some are not only exhaustive in the information for which they ask, but in my opinion are downright impertinent, if not to say impudent," and it would, no doubt, be a surprise to him to know how, *by diplomatic handling*, these "impertinences" are being made to best serve the bankers' needs.

There are, to me, however, two very important considerations which have been omitted in the suggested forms for Partnership and Corporation, and which same omissions occur in the forms issued by the National Association of Credit Men, and without which the real value of the statements to the keen banker, or credit man, or merchant, will be largely lost.

These are—

First—No provision for a condensed statement of the profit and loss account for the past fiscal year, and

Second—No provision for a reconciliation of the account of net worth or surplus.

First—*Condensed statement of profit and loss.* A reference to the proposed forms will show that provision is made for the following accounts:

- Sales for the year
- Gross profit
- Net profit
- Other income
- Amount distributed to partners
- Depreciation charged off
- Amount carried to reserve
- Amount added to net worth.

These appear in the forms in the order in which I have mentioned them, and to an accountant or credit man mean very little without additional data and further analysis.

I will ask you to refer to the three forms issued by the Cleveland Clearing House Association, of which you have copies before you. You will note on the second page of each that they are drawn up in proper accountant form as follows:

the banker or creditor his keenest and clearest and quickest insight of the nature of his risk.

Of equal importance also, to the banker, is the information which it conveys as to the worth and loaning value of stocks in various and sundry corporations which are offered from time to time as collateral to loans. How many bankers have a competent knowledge of the value of the closely held stocks of local industrials? Very few in the average community, while the use of this form in Cleveland has enabled our bankers to accept this form of collateral with eyes open, and in many instances to cull the unproductive or undesirable from his files.

No doubt there will be many comments and arguments forthcoming from other quarters on these and on other points, as the adoption of a set of forms by the American Bankers Association is a national proposition, affecting a large percentage of the banks in the country, and as the wide prominence given to it by its adoption by the Association will undoubtedly result in its adoption as standard by other bodies and by many individuals in commercial and financial lines, it seems to me that the consideration of these two vital points is a very important matter. I do not believe that *any* valid arguments or considerations can be advanced *against* their use and incorporation in the statements, and if my position in this is tenable, it would seem to me desirable to have the matter laid before the meeting of the Clearing House Section in its session tomorrow, for recommendation to the Convention proper, in the form of a resolution from this body recommending strongly the incorporation of these two vital features in the statements as they are finally approved by the Convention.

The balance of the subject assigned to me has to do with Clearing House Departments of Credit. I have consumed so much time in my discussion of the foregoing items, which I consider of the greatest possible importance, that I shall have to deal with the latter subject very briefly. As a matter of necessity I shall cite my own records and organization in Cleveland. Without going into the details of our modus operandi, I will say that by a system of reports from each bank, my office is supplied with the name of every borrower in every bank in our community. By an elaborate system of indexing, these names are arranged for instant reference, and this index is the basis of the real operation of our Credit Department. All names are referred to this index to determine whether an individual is "duplicating" his borrowings—that is, borrowing in more than one bank, and if so in what banks. As rapidly as "duplications" in borrowers occur, the names are transferred from the original index to a file of what I term "duplicated borrowers," and I might say incidentally that this file now contains approximately six thousand names. Immediately when a "duplication" is disclosed, inquiries are made on

CONDENSED PROFIT AND LOSS STATEMENT FOR FISCAL YEAR ENDING.....19.....

EXPENSE				INCOME			
COST OF MATERIAL OR MERCHANDISE CONSUMED				NET SALES			
ACTUAL EXPENSE OF CONDUCTING BUSINESS INCLUDING RENT, TAXES, INSURANCE, ETC.				FROM INVESTMENTS			
SALARIES PAID TO OFFICERS				FROM DISCOUNTS ON PURCHASES			
INTEREST ON BORROWED MONEY AND BONDS				FROM OTHER SOURCES—ITEMIZE			
BAD DEBTS CHARGED OFF							
DEPRECIATION, CHARGED OFF							
NET PROFITS							
TOTAL				TOTAL			

RECONCILEMENT OF SURPLUS

UNDIVIDED SURPLUS AT CLOSE OF PREVIOUS FISCAL YEAR.....	\$.....	
LESS CHARGES NOT APPLICABLE TO CURRENT YEAR.....	\$.....	= \$.....
ADD NET PROFITS AS ABOVE.....	\$.....	= \$.....
LESS DIVIDENDS		
PREFERRED.....(PER CENT).....	\$.....	
COMMON.....(PER CENT).....	\$.....	= \$.....
UNDIVIDED SURPLUS.....	\$.....	

Those forms constitute a *proof* of the balance of the item of net profits as it appears in the statement, of assets and liabilities on page 1. Incorporated in our statements are the items of salaries paid to officers or to partners, interest on borrowed money and bonds, income from discounts on purchases, and income from investments, all of which are very pertinent in making a competent analysis of the actual statement of assets and liabilities.

Second—*Reconciliation of account of surplus or net worth.* This is a feature of the greatest importance to the credit man and accountant. The necessity of requiring it cannot be too strongly emphasized, but unfortunately it is usually overlooked in compiling financial statement forms. It constitutes a *proof* of the preceding profit and loss statement for the fiscal year; constitutes a connecting *proof*, or link, between the present and the preceding year; constitutes a *proof* of the statement of actual assets and liabilities scheduled. The manner in which it is compiled is a strong indication of the borrower's methods. Its omission from the statement, or refusal to include it in the statement, raises an important question (suspicion?) in the mind of the banker, whereas its submission in proper form by the borrower gives

special forms to the banks interested, who report to me the amount of the borrowings and their nature; that is, whether "direct" or "indirect" and whether "secured" or "unsecured," and if "secured," how? This data is posted to the borrower's account, and as a result I have a record of his total liability to our banks, and also the nature of it. Periodically, or as occasion makes it necessary, the lines of these "duplicated borrowers" are brought down to date, and, under proper conditions, are made available to the banks interested.

We carry the work one step further, which step is not the least important in the operation. Our reports from the banks show, naturally, that many borrowers pay out, and their lines are closed from time to time. In many instances they are transferred from one bank to another. When either condition occurs, I make one final inquiry to the bank in which the line has closed, to determine whether or not the account has been a satisfactory one, or whether it has been unsatisfactory in any respect, and if the latter is the case, the information is carried and incorporated in my files covering that particular borrower.

The use of Standardized Financial Statements has materially broadened the scope of our Credit Department. Knowing the source of each individual's or company's borrowings, we have the several avenues of information relative to their affairs, and it is seldom that we find a borrower on whom we are unable to secure definite information. Used in connection with my examinations and reports, I find the record of inestimable value, keeping in touch, by periodical reports and a continuing record, with the fluctuations in borrowings at various seasons of the year, and indicating a borrower's tendency to expand or contract his field of operations. This is, I believe, a vital factor to the examiner in determining the condition of the bank itself, and its value as a source of information to the banks, heretofore unknown, cannot be overestimated.

Unlisted securities is another item that has required careful consideration, and on which I have found it necessary to establish a credit bureau.

In the case of loans, I have retained a record (card system) of every security, listed or unlisted, found in the course of my examinations. This record shows the name and class of the security, the banks where found, whether held as an investment or as collateral, and if as collateral, the name of the borrowers pledging same in each case. In addition, on unlisted securities, a separate credit file is maintained, as is found desirable, and all data in the way of information and valuation is compiled accordingly. On each examination, I file with the chief executive officer of the bank, a list of inactive and unlisted securities, with a request for a valuation on each, together with the dividend rate, when possible, and such additional information as is obtainable; this to be returned to me over the signatures of the members of the Finance or Executive Committee or of the Board of Directors. In this connection I find a company's "statement of profit and loss for the fiscal year," and its "reconciliation of the account of surplus" of incalculable importance, as without them, I can have no definite knowledge of the result of the company's operations; its volume of business, its sources of income, the rate of dividends paid, etc., all of which are necessary, if one is to form any definite estimate of the value of its securities, either as an investment or as security for loans.

The brief outline will, I trust, give you an insight into the system, which is working out very satisfactory in Cleveland. It is extremely simple in its operation, may readily be installed in any Clearing House, or community of banks, or group of banks, and if any of you

are interested further, I shall be very glad to show you copies of the forms used and explain the workings in detail.

I frequently receive inquiries from other cities as to what benefits accrue to Clearing House members through the employment of a special Clearing House examiner. I have also received many inquiries from individual bankers as to what benefits accrue through associating themselves with the Clearing House Association. These are both pretty broad subjects, and in closing I shall touch upon them very briefly in bringing out one incident that occurred in my home city, Cleveland, some few months since.

Through a peculiar chain of circumstances, a "run" was precipitated on one of our large outlying banks, whose clientele is made up almost wholly of foreigners. In a very short time inquiries were being received by various of the other banks as to the seriousness of conditions and whether deposits were in danger. The matter was immediately called to my attention, and I found that a very sizable "run" had developed and that serious trouble was possibly imminent. The condition was laid informally before certain members of our Association, with the result that, upon the examiner's assurance as to the solvency of the bank, sufficient cash was made available within two hours to pay off any possible withdrawal from the bank on which the run occurred. Further, during that day and the day or two following, inquiries were received by several of our larger banks from the heads of various manufacturing and industrial concerns who employ foreign labor, as to the seriousness of conditions, and bringing out the fact that their various operatives were becoming restless and threatening to withdraw their savings. A second canvass of the banks was made by the examiner, with the result that practically every one of our large downtown banks sent forth, in response to these inquiries, a statement that there was no occasion for alarm, that the bank was perfectly solvent and would pay every one, and if any depositor was dissatisfied or alarmed, to advise him to simply present his bank book to any bank in the city, where upon proper identification, his balance would be paid at once. As a result the run was stopped almost before it had begun, and the amount withdrawn was accordingly negligible.

This is my answer to the many inquiries which I receive. I need only ask you, or any banker, whether such a condition could prevail in any city other than one in which a Clearing House examiner was employed. Also, what would be a fair premium for any bank to pay for such insurance.

Valuation of Inactive and Unlisted Securities

By WILLIAM M. HARDT, Examiner, Philadelphia Clearing House Association.

The fact that some securities are listed and others are not, and also some are active while others are seldom dealt in, does not arbitrarily create a fixed and unimpeachable separation between the sheep and the goats. If so, who shall be the arbiter—the speculator who often buys and sells, or the conservative investor who occasionally buys and seldom sells?

A security, though listed, may be inactive on account of one of two reasons; it may be either too good—hence few sellers; or too bad and, therefore, few buyers. Because a security is inactive, it should not be condemned for this reason only.

Active securities are easily valued if marketable quality alone is concerned or if they are viewed from the standpoint of convertibility only, as they are daily being bought and sold. This brings us to unlisted securities, and they should be judged by the same standard already referred to, viz.: Good and bad. There can be but one accepted grade, and that good—as has been said of an egg—no intermediate state, either one or the other, good or bad.

In active and unlisted securities may be of the most desirable character. In all communities the securities of local interests where success and stability are recognized, always command a market, and generally at a price far above par value but being desirable are seldom sold, and then only for a special cause. Such should be accepted within reasonable limits, as being satisfactory collateral. When securities are pledged which are issued by the person or corporation giving the obligation, they should be discarded, as far as collateral value is concerned, for they represent a liability of the borrower, and, if in the form of stock, not as good as the claims of general creditors,

or, if represented by bonds, the preference may be of doubtful value. In cases of this character, the collateral should have no weight and the loan should be considered on the basis of the net worth of the maker of the obligation.

There is no better or more satisfactory way of valuing inactive and unlisted securities than by examination and analysis of credit statements, supplemented by independent and collateral information. Effort should be made to ascertain standing in trade, expansion or retrogression in business, character of business as to regularity or permanence, comparison of statements of assets and liabilities covering a considerable period, and, in addition, supplemented by the opinions of financial institutions from whom they have received or to whom they have applied for accommodations.

The judgment of officials, who have made loans predicated upon unlisted and inactive securities, may be taken with a fair degree of confidence, but it is not wise to be influenced entirely by their judgment, for they have made the loan, accepted the security and, in so far as their acts are concerned, are likely to defend their own judgment.

An examiner must be alert to notice all published information affecting securities of every kind, particularly such as are inactive or unlisted, and should keep carefully prepared records of sales and data pertaining thereto. An important element is intuitive judgment, and this is difficult to define or describe, but which to me means the union or crystallization of individual judgment and former experiences.

Examiners are prone to talk too much, but they can scarcely ever ask too many questions. Not as an oracle, but as a collaborer and adviser, I would say: Inquire, investigate, impress.

"The Establishment of a National Association of Clearing Houses"

By GEORGE A. KELSEY, Manager, Cleveland Clearing House Association.

Mr. CHAIRMAN: In present-day business the trend of thought is toward three things, centralization, organization, and co-operation—and I want to weave into your minds in the few words I am to say this afternoon, the three thoughts expressed by these words, because in them are included all that is to be said, all that is to be done at our meetings here this week.

Therefore, in bringing to your attention the subject assigned to me for discussion, "The Establishing of a National Association of Clearing Houses," it seems best to define it as a centralized organization, which, by reason of its co-operation, would be a complement of, or working unit of the Clearing House Section of the American Bankers' Association, and you may, if you please, call it a first aid to that Section.

From the very nature of the subject it is only possible to discuss it at this time in a general way, and yet that very word "general" means everything that can be said about it. It is a general subject; a bringing together of a general body of men to deal with general things affecting all alike, and which in their total, can mean a tremendous improvement in our Clearing House methods all over this great country of ours.

You will readily see this by looking over the various subjects discussed at the Managers' and Examiners' Sessions this morning. Look over the subjects to be brought up at the meeting of the Clearing House Section to-morrow, and think what it would mean for these subjects to be first intelligently and thoughtfully discussed by each one of a group of Clearing House Associations throughout the country, and then sifted down by a body of men representing these various groups. Take the question of reporting total bank transactions, which is a very live subject just now. In the first place, as a subject, among others, it could have been discussed simultaneously by the various group organizations; after being thoroughly thought out, a workable plan could be devised, and a representative of that group would meet as a delegate, with other delegates representing other groups, thus forming a central committee representing all Clearing Houses, and that body would then draft and submit a system which all associations could and would use. The same kind of data, the same method of securing it, the same statistics in every city, and your comparisons are valuable, otherwise they are misleading, and would invite and encourage erroneous conclusions.

In a few words the establishing of a National Association of Clearing Houses, means a representative body of men working for improved systems; for standardization; and it all goes back to the beginning—improved service, bigger things, advanced thought, and the key note of it all is usefulness.

A plan can be worked out; group organizations of Clearing Houses can be formed by men determined to get and to give the best that is in them, men who are looking for bigger results, and working for them, and I know the benefit to our member banks, and indeed to all banks by such a working together will be of incalculable value, for it is simply applying to Clearing Houses the evolution of banking, of the time when in a measure it was practically each bank for itself. Time passed on, systems were evolved, and we have the banks of today, and allowing for the difference in location and what we may call temperament, all are run in practically the same manner. The time will come if indeed it is not already here, when the Clearing House will mean even more than it does to-day, and you all know the dangerous results of the panics of 1893 and 1907 were minimized,

largely by the co-operation of the members of the respective Clearing Houses of our Country. Minor differences between member banks will be settled by the Clearing House manager, who will be more of an executive perhaps, than he is now. These experiences and problems, and the manner in which they are solved, will be passed up to the group organization, there to be discussed and compared, and passed again to the central organization, where the wheat will be sifted from the chaff, decisions recommended or approved, plans laid out, and the results given to the entire banking community, the small country bank receiving the same benefit as the larger city bank.

A great many Clearing Houses are like a big fifty-ton freight car that is loaded only to two-thirds capacity. What we want to do is to load or develop every Clearing House to full capacity, not for the particular purpose of decreasing expense, but to increase service, which after all is only another name for usefulness.

To be useful to its member banks, and through them to its non-member banks, is an essential part of Clearing House work, whether it be the Clearance or the Examination Department. At the present time the Examination Department is coming into its own, but the Clearance end has settled back in a great many cases to purely routine work. Perhaps from the very nature of things it has never been more than an exchange of checks and money. It is time to get out of the rut, to get together and compare notes, and be a living, onward, pushing force. And in no way can this be done better than by organization. Our State Banking Associations have their group organizations; why not Clearing Houses? There is a latent power inherent in every Clearing House which must be brought out.

With other advantages, there are three positive advantages in a National Association of Clearing Houses; briefly summarized they are:

A helpful supervision of Clearing House work;

A closer co-operation, and a keeping in touch with what the other fellow is doing; and,

A planning for increased usefulness.

In reading a speech made at one of the conventions a couple of weeks ago, I came across the following sentence, which is very much to the point. "Efficiency can come only from team work, and team work can come only from centralized power." If to meet the present case, you substitute for "power" the word "direction," and make the sentence read: "Efficiency can come only from team work, and team work can come only from centralized direction," you have a force back of you in this National Association that is going to do something.

I said at the opening of my remarks that you might call a National Association of Clearing Houses, a working unit of the Clearing House Section of the American Bankers Association. The annual report of that section read at Kansas City last year closes with this paragraph: "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."

This being true, I am strongly of the opinion, gentlemen, that the quotation just given proves the soundness of my argument that an organization such as has been described, properly managed and directed and with an enthusiastic determination to get there, will bring about before many years results surpassing the most sanguine expectations of even the most ardent advocate of the theory which I have endeavored to place before you.

Committee and Officers' Reports—Clearing House Section

Annual Address of President W. D. Vincent

The Clearing House Section of the American Bankers Association is fortunate indeed in having as its Secretary Jerome Thralls, a man full of initiative, bubbling over with enthusiasm, of undoubted ability and unquestioned integrity, whose work is always effective; a man who typifies the spirit of Clearing House work and management, the spirit of cooperation, the willingness to work for those things in banking that make us better bankers and enable us to render better service to our country.

The report of the Secretary will give you full information as to the activities of the Clearing House Section, and it is not the intention of your President to occupy your time with a repetition of things that have been done or to mention what should have been done.

New thoughts are developing daily in the economic world, and the Clearing House Associations of the United States have a better opportunity now than ever before in the history of the country to be of service in furthering the proper development of the financial thought of the country. The new methods of reserve, discount, issue and collection have developed problems that every banker must consider and every Clearing House should understand the necessity of such consideration in a cooperative way. The word cooperation is often overdone by its improper use. The fundamental principle of a Clearing House is co-

operation and its principal object is the fostering of sound and conservative methods of banking.

Nearly every banker is a member of some secret order and is familiar with the principles it teaches. We all know that cooperation is the basis of the ideal of the brotherly love the orders inculcate. Why not apply our lodge life to our bank life? Let us be brother bankers. With that thought as a beginning, we shall have no difficulty in organizing a Clearing House in every town in the country where the volume of business justifies it. The small town trouble is that banking is a game and played as if it were a horse-race. Everybody jockeys for position, financial position, public position, social position, any kind of position in the community, just so it is ahead of the other fellow. If the United States is to continue to be the world power in finance, every banker in the United States must be more than a one-horse power in local finance.

Every man here is a leader in his own community. You are interested in the development and growth of banking. It is your individual duty to serve your brother banker just as much as it is your duty to serve the public. One of the best things that can be done for the good of banking is to help your brother banker see the light, the light that cooperation sheds in every banking community. If you are not pulling together in your own town, get together, use your power to bring the bankers of your nearby towns together. We have been working

from the top down, let us work from the bottom up. Let us organize the two, three, four and five bank towns into Clearing House towns. Let us organize County Associations, then the Group, State and National Associations will be stronger, will work to better purpose and will accomplish more far-reaching results.

A conference of the Clearing Houses of the four cities of the Pacific Northwest brought beneficial results to all of the banks of that part of the United States. Such a conference will bring good results to every city that is willing to cooperate with its neighboring city. The conference of Clearing House Examiners and Managers demonstrated its value to the banking world. A conference of the Clearing Houses located in each of the geographical banking districts of the country would prove of unquestionable worth and bring about a closer working understanding among bankers in any district in which such a conference were held.

There is no such distinction as country banker and city banker when it comes to the brotherhood of banking. The same economic laws, the same State laws and the same national laws govern all alike. The time has come when any banking business not operating in accordance with these laws is outside the pale. The spirit of cooperation should so permeate the bankers of any State that permits unregulated banking that their combined efforts would be used to bring about the enactment of laws that would apply to every one.

The problems of each community are equally the problems of every bank in that community. We should as individual organizations study the problems in our own localities, solve them in a cooperative spirit and meet at our annual meetings as a body prepared to solve the larger problems that affect the business of banking throughout the United States. We grow by doing, not by being.

One of the coming problems is inflation. Last spring I was talking with the president of an Eastern bank, and expressed the opinion that present tendencies were toward inflation. Probably my statement was not clearly made, as the banker said to me that he could not agree with my logic. Whether it is logical or not, we will face the fact of inflation, and it is a danger that must be anticipated by studying the causes and using the ounce of prevention. The ounce of prevention that should be prescribed immediately and taken in daily doses by every banker in the United States is the supervision of credits.

It is not enough to say that we scrutinize, systematize and analyze the statement of our borrowers and a certain number of checkings are made on each name. Our checking should penetrate into the very heart of things. Each bank has its own method of obtaining, collecting and classifying the credit information it secures. The Clearing Houses of the country should standardize these methods. Is it not possible that some time there shall be a government commission for the supervision of credits? Possibly this is a dream, an ideal, but in the rapid evolution of things financial, we are daily seeing the ideal becoming the real. Things we dream about get to be facts before we are aware of it.

There are still some men doing a banking business in "the village that voted the earth was flat." Kipling in that keen study of human nature says "Advertisin' is the most delicate of all the sciences." Cooperation may be a delicate science, but Clearing House cooperation in advertising is one of the facts easily demonstrated by dollars and cents. The Clearing House Section is in a position to be of practical assistance to any members desiring information that will enable them to regulate the kind and quality of advertising, reducing its cost by the elimination of non-business producing advertising. The only requirement to obtain the result is united effort, which is another way of saying cooperation.

Five million dollars can be saved in the advertising expense of the Clearing House banks of this country if a committee is appointed in each Association made up of the men who attend to the advertising of each bank. Experience has taught bank advertising men that newspapers and financial journals are the best mediums for bank advertising. Competition has led bank men into advertising in cook books. Cooperation among banks through their committee on advertising will produce better advertising, more business and a large reduction in the amount spent to secure these results. Let me read you the objects of the publicity committee of the Spokane Clearing House Association:

"The objects and functions of this Committee are to promote a close cooperation between the banks of Spokane in the interest of good publicity.

"To study and investigate for mutual benefit the various methods and mediums of advertising, with a view to ascertaining their respective costs and merits.

"To discourage by concerted action the use of mediums of proved unprofitable or questionable value, and to eliminate all wasteful advertising expenditures.

"To stamp out the practice of giving patronage to any source seeking funds for purely social, fraternal, civic or charitable purposes under the guise of advertising;

"And finally to join in an educational campaign of bank publicity, devoid of all self-interest, having for its object solely the acquainting of the public in every phase of banking service and investment, and thereby stimulate greater confidence in banks as a whole."

I am sure you will agree that the organization of such a committee in your own Clearing House is well worth an effort.

Competition has led bankers to forget the cost of doing business. Cooperation will teach bankers how to collect the cost of doing business. The larger cities have eliminated the "doing everything for nothing" way of conducting their business; the smaller cities and towns can by cooperation stop doing everything for nothing and do free of charge those things that are a public service and charge for those things that are a private service.

There are a great many methods used in analyzing a depositor's account, to find whether or not it is a profitable one. Regardless of the method used a banker knows in a general way how much it costs to handle every item that goes through his bank. If he does not now collect the handling cost he can do so by a little cooperation with the competitor.

It was only a few years ago that a banker would gloat over the failure of his enemy, the bank across the street. "Enemy" has been softened into "competitor," "competitor" is gradually being softened into "cooperator." We must have cooperation in banks and with banks to collect the cost of doing business, prevent loss in the business and to increase the earnings of the business. There must not only be cooperation of that kind, but there should be cooperation

with your shareholders; shareholders should know more about the bank than the dividend date.

Every Clearing House in the United States should be a shareholder in this effective section of the American Bankers Association, participating in its work, as well as receiving the benefits of its work. When all Clearing Houses are members, then the problems which daily confront us will be more easily solved.

The problems of banking are manifold, but they are insignificant compared to the increased problems of citizenship. Bankers as good citizens must do their duty gladly, willingly and in a self-sacrificing way. The call has never yet been made that was not responded to promptly and effectively by the banker, and in the days to come new problems will come and the banker will be prepared to solve them in a way to his credit and to the glory of the country.

Report of Chairman of Executive Committee, Stoddard Jess

ATLANTIC CITY, September 25, 1917.

TO THE CLEARING HOUSE SECTION:

I deeply regret that it was not possible for me to attend the Spring meeting of the Executive Committee at Briarcliff last May. President Vincent served as chairman of that meeting and rounded up the work which had been accomplished up to that time.

Too much credit cannot be given Mr. Jerome Thralls, our secretary, for the successful work accomplished by the Section. Mr. Thralls, who succeeded Mr. O. Howard Wolfe as secretary, and who later became the Secretary of the National Bank Section, has proven himself to be active, energetic and capable. He has performed the duties of his office to the entire satisfaction of the Executive Committee.

The activities and usefulness of the Section are increasing rapidly. Its growth during the year is the greatest in its history. Our country's entrance into the war has brought added responsibilities to the banks and opened new avenues of activity for clearing houses. It is the patriotic duty of every banker to aid the Government in every way possible to the end that the war shall be successfully prosecuted. It is our liberty and our homes that are at stake. The bankers' business will not be as usual, it will, on the contrary, be quite unusual. We are in a new order of things; many of the traditions of banking will be broken. The banks will be called upon to meet the needs of our increased activities incident to the war. The bonds must be sold. Many of them will need to be sold on a partial payment plan, to be financed by the banks. The bankers' mission should be to pass the bonds on to the individual investor, so that financial aid to commerce and industry will suffer the least possible disturbance.

Not only money and men must be mobilized, but the best judgment of the banking fraternity must be marshaled to meet this great emergency. The Clearing House is the avenue through which to marshal it. Production must be stimulated, savings must be encouraged, waste must be eliminated, and the efficiency of the dollar must be increased to its maximum.

The Clearing House Section merged its machinery with the other Sections, Departments and Committees of the American Bankers Association, and did very effective work in the first "Liberty Loan Campaign." In all probability more publicity was derived from the tour of Dr. Hillis and Mr. Lawrence Chamberlain than from any one single factor. The Clearing House Section made arrangements through its members for the big meetings which welcomed these gentlemen in the cities that they visited in sixteen States.

At the Briarcliff meeting the Executive Committee submitted an amendment to the by-laws of the Clearing House Section, which was approved by the Executive Council of the American Bankers Association. It provides for a committee at large, to be made up of a representative for each State, to be known as "State Representatives." These representatives will be appointed at the annual meetings by the Executive Committee.

A plan was evolved for securing a written report from the various clearing houses immediately preceding each annual convention; these reports to cover the activities of the respective clearing houses, suggesting improvements, changes in rules, etc., and to be confined strictly to clearing house affairs. These reports will be briefed and printed in the annual proceedings. It is believed that through this means information of great value will be acquired.

The roll-call of cities has been a very important feature of our annual program, but the section has grown to such proportions as to make the continuance of that plan impracticable because of the time consumed. The new plan will save time and will—no doubt—be more effective.

The Executive Committee arranged at Kansas City for the holding of a midwinter conference of examiners and managers. As a result of this conference practically every Clearing House in the United States has been enabled to make changes and improvements for more efficient handling of its business. The conference proved such a success that the committee arranged for a like conference at the time of this Convention.

It has also been suggested that annual meetings of groups of Clearing Houses in the different sections of the United States—possibly in each Federal Reserve District—might prove of great advantage.

The Executive Committee agreed that the activities of the Section for the year now closing should be centered upon the following:

- (a) Extension of the Clearing House Examination Feature.
- (b) Country Clearing Houses.
- (c) County Clearing Houses.
- (d) New Clearing House Associations.
- (e) To get all Clearing Houses into the Section.
- (f) Total Bank Transactions.
- (g) Universal Numerical System.
- (h) No Protest Symbol Plan.
- (i) Symbol for use in connection with wiring non-payment.
- (j) Clearing of "Go-Backs."

With the great demands that must be met for food, munitions and other war supplies, there will spring up in this country a great number of new industries. In financing these industries the banks will be called upon to shoulder tremendous responsibility. Many of them will be managed by men who are not experienced. There will be a great tendency to undue expansion. The attending dangers and risks to the banks will be very great.

The Clearing House examination system has proven to be a great

safeguard. Through this system the composite judgment of the banking fraternity can be obtained. A more careful scrutiny can be kept on all lines of business seeking credit, and unsafe tendencies, not only on the part of the patrons of the bank, but upon the banks themselves, can be checked.

To my mind there is not any subject of greater importance before the Clearing Houses of the United States than that of placing a Clearing House examiner in every city or community wherein is located a sufficient number of banks, the supervision and examination of which would require the time of one or more men. Mr. John W. Wilson, the efficient examiner of the Los Angeles Clearing House Association, makes a statement to the effect that during the past ten years no depositor has lost a single dollar because of the failure of any bank under Clearing House examiner supervision. Could there be a greater commendation or a stronger argument than this for the adoption of the Clearing House Examination plan.

While there has been some development in the Federal Reserve Clearing and Collection System, there still remains the need for the development of independent country clearing houses. Where country departments are operated they have proven to be the most efficient and economical agencies through which to handle out of town cash items. One new country clearing house collection department was organized during the year; two others will soon be in operation, and eleven country clearing house collection departments, which have been in operation during the year, handled for the first six months a volume of over \$1,700,000,000, being double the volume for the same period last year, and more than three times the volume handled during the year previous.

The Clearing House Section should give further attention to securing the concentration of the gold supply of the country into the Federal Reserve Bank. By settling Clearing House balances either by checks upon Federal Reserve Banks or by transfers by wire of funds held by them, all the gold now impounded by clearing houses against certificates issued would be released and if covered into the Federal Reserve Banks would materially increase their holdings of gold, and where gold itself is used in the settlement of balances, it would save the loss by abrasion as well as the expense and risk attendant on handling it. Should the treasury department discontinue the issuance of all gold certificates or of gold certificates in amounts less than one hundred dollars, it would tend to further concentrate the gold of the country in the Federal Reserve Bank.

What we need most to advance the usefulness of the Clearing House Section is closer cooperation with the Section by the Clearing House members. The Section is a place in which the activities of all clearing houses should be recorded and from which information relative to new ideas and methods should be disseminated. If every clearing house official will sent to the secretary of the section a report of all changes in rules, systems and methods in their respective organizations, the information acquired can be made of much value. If clearing houses desiring information will communicate with the Secretary of the Section, he will furnish it, if it is in his office; and if not he will get it in some way. Through co-operation great good can be accomplished.

Respectfully submitted,

STODDARD JESS,

Chairman Executive Committee.

NATIONAL BANK SECTION

AMERICAN BANKERS' ASSOCIATION

Second Annual Meeting, Held at Atlantic City, September 26, 1917

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"Problems Relating to Financing Foreign Governments"

By H. R. BRAND, M.C.G., Vice-Chairman British War Mission

When I was asked by the American Bankers' Association to give an address on the "Problems of Financing Foreign Governments," I was very glad to accept their invitation, mainly, perhaps, because it afforded me an opportunity of giving some account of what Great Britain has been able to do in the direction of financing her Allies since the beginning of the war. In view of the close relations now existing between the two great sections of the English-speaking world, nothing in my view is more important than that we should each understand what the other is doing, and has done, and, if anyone has an opportunity to assist in this work, it is their duty, in my opinion, to seize it.

For three years, the burden of financing the Allies has to a large extent rested on Great Britain. So far as we can continue to finance them by granting them credit in Great Britain, we are going on doing so, but, as far as the United States is concerned, the burden has now been passed into your hands.

You are now being called upon in the general interest of the allied cause to lend huge sums to all the different Allies, and there is no more valuable support towards winning the war that could possibly be given. It may be, therefore, that our experience may be in some respects useful to you.

I shall not, of course, presume to discuss either the financial or economic situation in the United States, because that is not the province of an Englishman, nor do I possess any knowledge which would enable me to talk about such a subject to a meeting of American bankers. What I propose to do is to discuss certain aspects of the very large question under consideration by giving some account of what has happened in England financially and economically since the beginning of the war. You can understand that I can only deal in the very broadest outlines, but it may be as I say, that the problems we have had to face may be of some value to you.

Although I am in this country in the service of the British Government, I am concerned with the supply of munitions and not here on behalf of the British Treasury. You must therefore consider my remarks as unofficial. My personal qualifications for addressing you on this subject are that in ordinary life I have been for some years engaged in the profession of international banking and finance, and that for the last two years I have been intimately connected on behalf of the British Government with the supply of munitions both from England and Canada, and have come much into contact with the large financial questions arising therefrom, and also with the measures taken by the Government to control industry.

I am not going to deal with the subject of this address simply by giving you a mass of figures, or by discussing

the purely financial side of the question, for the problems connected with financing one's Allies not only touch the financial side of a nation's life, but go down deep into its economic and industrial life, and cannot be properly understood except in relation to it. Nevertheless, as a preliminary, it may be well to give a few figures about England's war expenditure:

Our total national expenditure from August 4, 1914, to August 4, 1917, may be put approximately at \$25,080,000,000. This expenditure has been provided as to \$6,087,000,000 as to revenue, and as to \$18,993,000,000 by an increase in our national debt. We have lent out Allies, \$5,698,000,000 and this is recoverable, so the figure of \$18,993,000,000 given as the increase to our national debt, must be reduced by so much. If we deduct this figure from \$18,993,000,000, the increase in our national debt is \$13,295,000,000, which, added to the pre-war \$3,165,000,000, makes a total of \$16,460,000,000.

Our actual daily expenditure since April 1st last, including loans to our Allies, has been at the rate of about \$35,000,000 a day. Our irrevocable expenditure has averaged about \$22,000,000 a day. Our increase in revenue, owing to increased taxation, has been very great. Before the war, we raised roughly \$1,000,000,000 a year. This year we have budgeted for \$3,100,000,000, and probably we shall get between \$3,150,000,000 and \$3,400,000,000. Taxation to this extent would have been thought three years ago to have been wholly impossible.

These figures will serve to show you the extent of the burden on a nation only half as populous as the United States. If population is taken as a basis, our daily gross expenditure is equal to an expenditure in this country of about \$70,000,000 a day.

I may mention that in our last war loan we raised \$5,000,000,000 of new money, which, again on the basis of population, would be equivalent to your raising here in one financial operation \$10,000,000,000. Now, what do these figures mean? What efforts on our part have been necessary? What measures had we to take and what problems to solve to enable us to find the money we required ourselves, and also to lend these huge sums to our Allies? To be able to answer these questions, it is necessary to get some picture of the effect of the war on England's general economic life.

Perhaps the greatest surprise of the war to most people, even to those who had studied political economy, has been the enormous expenditure of money which a nation can incur, and the length of time which it can go on fighting without complete exhaustion. This should not have been in reality a surprise to anyone who had studied post history, for all experience shows that "money" itself has never prevented a nation from continuing to fight, if it were determined to fight. The finan-

cial condition of Revolutionary France at the commencement of Napoleon's career was wretched in the extreme, yet France went on fighting for nearly twenty years after that. The Balkan States can hardly be said ever to have had great financial resources, and yet they fought, one after the other, two severe wars, and are now fighting a third still more severe and prolonged. The Boers in South Africa found no difficulty in fighting the British Empire for three years with practically no financial resources. The Mexicans recently managed to fight one another for a good many years in the same way. Lastly, the Southern States in your own Civil War, fought for years a desperate and losing fight, and were ultimately beaten to the ground, not so much by a lack of money as by an actual lack of things to live on and fight with. In fact all history proves, and this war proves to us over again, that if what the Germans call "the will to fight" exists, money will never stop a nation's fighting, provided only it possesses or can obtain its absolutely minimum requirements of food, clothing and munitions of war. It was Bismarck, I think, who said: "If you will give me a printing press, I will find you the money." No doubt in finding the money required for an exhausting war, a nation is driven to all sorts of desperate financial expedients which may very seriously affect its economic life, but in my opinion if a nation wants to continue fighting and can produce or be induced to produce, the things that are absolutely necessary for life and warfare, the Government will get hold of those things somehow. If it cannot get them in any other way, ultimately it will take them.

Therefore, though the mechanism of finance is exceedingly important, the vital thing both for a country itself and its Allies, is that it should produce and so have available everything required for war, both for itself and for them. This may seem an elementary fact, but I lay stress on it because it is to my mind fundamental and the key to the actions of a Government at war. If the goods are not there or cannot be obtained from other countries in some way or other, no method of financing will avail at all. The all important thing is, therefore, the annual production of the people for war, and the amount of that production which is left over after satisfying civic consumption and which is available for the war needs of the nation itself or its Allies. In other words, the all important thing is that the Government should assist in the development of the maximum productive capacity of the nation, should direct that productive capacity into channels suitable for war, and should restrict entirely the consumption of luxuries, and, as far as possible, of everything else required by the ordinary civil population.

It was some time in England before we saw how to achieve these results. We started with "business as usual." We thought we could go on as in peace time, but we soon found that was absolutely impossible. To put industry on a war footing so that the nation should produce what is required for war and as much of it as possible required drastic measures on the part of our Government.

Perhaps the simplest way of explaining why such measures were required is to try and give some idea of our national production and consumption in normal times and show how it has been affected by the war. Most figures of national production and consumption are unreliable, but the English figures, though somewhat out of date, happen to be fairly reliable, as they are the result of a searching investigation by a Royal Commission on the Census of Production some years ago. The figures I give are for the year 1907. No doubt by the year 1914 they had been very much increased and have changed still more since, but they will serve as an illustration of my argument:

In 1907, the British people are estimated to have produced goods to the total amount of, roughly.. \$10,000,000,000

The nation consumed during that year in personal consumption	7,050,000,000
It spent on capital purposes at home	
(a) On betterment of its national plant.....	950,000,000
(b) On maintenance of its national plant....	900,000,000
It used up goods to the value of (in keeping up and probably increasing its stocks of material on hand)	325,000,000
It exported goods in the form of loans to foreign countries of about.....	500,000,000

making up in all the \$10,000,000,000 that it actually produced. By 1914, probably its income had increased to at least \$12,500,000,000, and the surplus of goods which it had over to export as loans to foreign countries seems to have increased from about \$500,000,000 to \$1,000,000,000.

What happens, then, in war time? First of all there was an enormous and growing demand of materials of all kinds for war consumption, either in the form of guns, or shells or military clothing, or food or motor trucks, or aeroplanes or any of the hundred and one items of military equipment, and not only for ourselves but for our Allies.

How was that demand met? It is obvious from the figures given above, that there must be great changes either in production or consumption, or there would be no materials at all for war purposes, because they are normally all used up in other directions, and in fact seven-tenths of what we produced in the year 1907 was immediately consumed again in the form of personal consumption by the people. It is clear we must either have increased our production of goods or reduced our consumption, or lastly, bought more goods from foreign countries by selling them our liquid capital assets.

Let us consider first how we can have reduced our consumption. It must have been in one or all, no doubt all, of the following ways:

1. By cutting off altogether our normal peace loans to foreign countries, i. e.; in 1914, \$1,000,000,000.
2. By cutting down all normal additions to our national plant, i.e., by building no more houses, factories, railways, roads, etc., except for purely war purposes. This expenditure in 1901 amounted to about \$950,000,000.
3. By cutting down and ceasing as far as possible to spend money on the maintenance of our national plant, except the minimum required to keep it running. This expenditure in 1907 amounted to \$900,000,000. We have undoubtedly let our roads, railways, houses and so forth, to some extent deteriorate.
4. And most important of all, by cutting down our civil personal expenditure. This is so far the largest item of consumption, that it is here where the most important savings can be made.

By these means it is obvious that at the expense of our becoming poorer and allowing our national plant, our railways, houses, factories, etc., to deteriorate, and by strict personal economies we have been able to turn a large volume of production in the direction of war material, in other words, to devote the labor and material formerly used for the above purposes purely to war purposes.

But how about production? Has it decreased or increased? The greatest productive capacity in a nation is to be found, of course, among the men who are of fighting age. In England, the total number of "occupied males" between the ages of 18 and 44, i.e., roughly, the conscription age, was in 1911, 7,200,000. The number of men from the United Kingdom in our army and navy amount to over 5,000,000; therefore, out of every seven of these men, on the average five are now soldiers or sailors. These men are lost from the productive capacity of the nation. It is obvious that if our production has remained the same, or has increased, it must have been the result of extraordinary efforts on the part of the small percentage of occupied males of fighting age left, on the part of all the other males, occupied or formerly occupied, and on the part of all females.

Notwithstanding the great difficulties, I think it is prob-

able that our production is quite as great as before. Measured in money, and owing to the rise of prices, it would probably be much greater. This is due to the fact that the whole population, practically speaking, has been working, and working intensely. Millions of women who have not worked before are working now. No one is idle. Every acre of land or garden that can be used is being used. Methods of production have been speeded up, labor-saving machinery in industry and agriculture multiplied. In every direction the wheels have been turning faster.

But, perhaps, more important still, the *character* of our production has entirely changed—almost our entire industry is producing for war purposes. Ordinary civil deeds are no longer considered. We have, of course, to produce what is essential for life, but beyond that, all our energies are directed to war production. The Government has of necessity compelled the whole of British industry to produce for war and to produce what it is told to produce, because in no other way could our own armies and our Allies have been supplied. No man is free to do what he likes with his labor and capital, with his ships or with his steel. He has to do what he is told to do. By this means, production for war purposes has enormously increased, and civil consumption, too, enormously decreased, because the goods for the civil population were no longer produced, and you cannot buy what isn't there. Instead of gramophones, the Gramophone Company, makes fuses; instead of cloth for ordinary clothes, the woolen factory makes khaki; instead of motor cars, the motor car maker makes shells.

Apart from selling our liquid capital assets in return for foreign goods; and apart from borrowing from foreign countries for the same purpose, our power to provide our own army and navy with all they want and have any surplus over for our Allies, has indeed depended entirely on our extraordinary efforts in production, and not in normal production, but in war production, and also on the extent to which we have been able to reduce our civil consumption of all kinds. I put production first, because while economy in consumption is exceedingly important, increased productive capacity devoted to war material in my opinion, is still more important. Our increased productivity has, as I say, been devoted entirely to war requirements. We have had to turn over our whole industry from a peace to a war basis. We have both voluntarily and compulsorily cut off the production of goods which are unnecessary for war purposes. Many trades have been actually shut down and the labor taken from them and handed over to war industries. Labor itself has been subjected to restrictions which would have been wholly impossible before the war. Labor may not leave its employment without Government leave; salaries and wages may not be increased without Government approval. Measures for the control of industry which were unheard of, and, in fact, absolutely impossible before the war, have been imposed upon all industry. Fixed prices have been placed on the most important materials. The Government now has the absolute control of the use of steel, copper, lead, wool, leather and other materials for which the war demand is insatiable, and also of all materials manufactured therefrom. No use may be made of most of these materials for any purpose whatever, without a certificate being first obtained. No buildings of any kind may be erected without leave of the Ministry of Munitions. I may mention a personal experience that may bring home to you perhaps the position. A short time ago a sister of mine, who lives in the country, ran short of water because her pump broke down. She was informed that no material could be used to mend it without a certificate from the Minister of Munitions. I heard of the matter because she wrote to me to invoke my help. This may show you the extent of the control now exercised. The whole of the industry may be said now to be directed to the Government. Its regulation is

an enormous task. In the head office of the Ministry of Munitions alone, there are more than 10,000 people.

On the other side, partly as result of the goods required actually not being produced, and partly as result of restrictions, either compulsory or voluntary, of consumption, we have cut down enormously our ordinary consumption of luxuries, and are now cutting down on necessities. Both for financial reasons, and owing to the pressure on tonnage caused by the submarine, the Government has for long instituted an extremely drastic restriction of imports. I regret myself that these restrictions were not introduced earlier, and here is something in our experience which may be useful to the United States. We discovered to our surprise at the beginning of the war, that war apparently meant prosperity and not poverty. The huge Governmental expenditures and the loans and taxation which they caused resulted in an enormous redistribution of wealth. Wages advanced, and millions found that they had more money than they ever had before. The result was that consumption actually tended to go up among the poorer classes, and labor and materials vitally required for war purposes were diverted to meeting these new demands. It was some time before our Government realized the disastrous nature of this tendency, and it was long before the whole of the people realized that though an individual may be able to afford to be a spendthrift in war time, a nation cannot afford that he shall be. But, of course, nearly all our extravagance in this respect is now long over. So far as our own efforts and sacrifices make the export to our Allies of war materials from our own resources possible, we are, I believe, doing all that we humanly can.

There has been an enormous decreased consumption of many foodstuffs, and also of other materials. Personal expenditure on servants, motor cars, clothes and everything else, has been cut down. I will give two examples. When I left England some months ago no private owner of a motor car could get more than 10 gallons of gasoline a month. Our ration of sugar is 25 lbs. per head per annum now; American consumption per head in 1916 was 75 lbs. If you reduced your consumption to ours, you would on that item alone make a saving of about \$400,000,000 per annum.

Perhaps I can bring the situation clearly before you by the following comparison: Before the war, we imported for the needs of our civil population about 55,000,000 tons of materials of all kinds each year. We are now importing about 30,000,000 tons. Of that 30,000,000, at least 10,000,000 represent munitions of war of one kind and another for our Allies as well as ourselves. The balance of 20,000,000 tons is in the main foodstuffs. Therefore, as against 55,000,000 tons before, we are now getting 20,000,000, nearly all of foodstuffs. But let me show you how immense is the burden of increased prices to an importing country like England and what increased wealth is pouring into an exporting country like the United States. For our imports in 1913, approximately 55,000,000 tons, we paid \$3,209,000,000; for our 20,000,000 tons we are paying at the rate of between \$3,900,000,000 and \$4,350,000,000. That is the effect of wheat at \$2.20 instead of 80 cents and cotton at 20 cents instead of 10 cents. And that \$3,900,000,000 is paid for by the export of real wealth from us or by the raising of debts we must repay.

You may think that all my insistence on our increased production and increased economy in consumption has not much bearing on the problem of financing our Allies. But in reality it has the most direct and vital bearing, and your experience in this respect will be the same as ours. We have never once, I believe, refused an Ally the necessary credit if we have been able consistently with our own demands to supply them with the goods which they wanted from our own home products. We continue now to grant them the necessary credit, when we can make the goods ourselves in Great Britain. But the problem has been to find the labor and material to produce what they

wanted as well as what we wanted. We have as a matter of fact supplied them with every variety of materials in enormous quantities. We have lent them continuously hundreds of ships at cost price, the most valuable commodity in the world. We have supplied them with coal, steel in very large quantities, with guns, rifles, ammunition, explosives and every other kind of munitions, motor trucks, rails, railway materials, locomotives and so on. In the year 1916 alone we supplied them in addition to the materials quoted above, which are of course the most important for war purposes, with 9,000,000 pairs of boots, over 100,000,000 sand bags, 40,000,000 yards of jute, millions of socks and bankets, and in addition several thousand tons of leather; also cloth, foodstuffs of every kind, portable houses, hospital equipment and so forth.

We have been able to do this and to continue doing it first of all because our whole industry is now devoted to war purposes; secondly, because of our intensified productive energy; and thirdly, because of our economy in civil consumption. Without these efforts we might have been prepared to give our Allies the same amount of credit, but that would have been useless, because the goods they wanted would not have been there.

We have had, however, to assist our Allies, not only by supplying them with what we could produce internally, but by enabling them to purchase abroad. This has been a problem of extreme difficulty, and of a character different from any that is likely to face the United States. And it is here that we have had to supplement our resources by the means I have already mentioned, namely, the sale of every liquid asset our Government could lay its hands on.

We are, as you know, by no means a self-contained nation. With all our efforts we have not been able to produce all that we or our Allies have required. The demands of war are absolutely insatiable, and we have neither been able to produce the kinds of things which were required, nor have we had enough of what we could produce ourselves. Copper, for instance, we had to buy from you, and where, as in the case of steel we produced largely ourselves, so unlimited have been our own and our Allies' demands, that there also we had to buy largely from you. At home our supply to our Allies of all articles has been limited only by our productive capacity and our economy, and not by any lack of credit. Abroad it has been limited by our means of payment and by the credit we have been able to secure.

I need hardly tell an assembly of bankers how fundamentally different are the problems of lending one's Allies credit at home and lending them one's credit in foreign countries. I started my address by pointing out that in some way or other a Government at war has always raised and will always raise credit enough to get hold of the goods that its people produce in war-time. Look today, for instance, at such comparatively poor countries financially as Russia, Austria-Hungary and Turkey. These Governments have been able to find credit and create currency sufficient to continue the fight. But the problems before a Government of procuring the goods produced by other countries is a wholly different one, and depends entirely on whether that Government has anything of intrinsic value to the foreign nation to give in return, or, if it has not, whether it can induce that foreign nation to sell goods on credit.

Now England, at the commencement of the war, was in far the strongest position of any of the Allies to purchase munitions and other materials from foreign countries both for herself and her Allies. She was in fact the greatest creditor nation in the world. France, too, was a powerful creditor nation, but not so powerful as England, and at the commencement of the war her export commerce received, unfortunately, a much more staggering blow than England. While, therefore, France has made every possible effort financially, the greater burden fell to us. On the other hand, Russia and Italy were debtor nations,

and even before the war had to borrow in order to balance their foreign account. Serbia was, of course, in the same position, and Belgium has been in that position since the commencement of the war, too. All these nations have required assistance in making purchases abroad. From the commencement of the war, therefore, we have had to assist our Allies and also our Dominions as well, in making foreign purchases. As I have already stated, we have in these three years lent not less than six billion dollars, at home and abroad, to our Allies. I have discussed the methods we adopted to lend them our credit in our country. It is necessary now to consider very briefly how we have found the means to lend them our credit in foreign countries.

Consider England's position in 1913 as regards her balance of trade. In that year her imports were valued at \$3,210,000,000, her exports at \$2,560,000,000. But it has usually been estimated that England was owed about \$1,610,000,000 annually by foreign countries for interest on capital lent, for shipping, freights, and for banking, insurance and other commissions, etc. If this sum is added to her exports, then the total amount owed to her was \$4,170,000,000, as against \$3,210,000,000 which she owed for her imports. In other words, she had a favorable balance of about \$960,000,000, which was lent abroad. She was, therefore, in a very comfortable position. The war, however, has altered that position greatly to her disadvantage.

It is true, as I have already pointed out, that the tonnage of our ordinary commercial imports has been enormously reduced, and has constantly been falling off since the commencement of the war. But so has the tonnage of our exports, although the huge increase in prices has actually enormously increased the value of our imports and maintained that of our exports at nearly their pre-war figure. Our export trade must in fact have been enormously reduced in tonnage, because it is mostly to South America and the Far East, and in order to provide tonnage nearer home, all our ships have been taken by the Government off these routes, and brought to the North Atlantic. But the excess of commercial imports over exports is now about \$1,950,000,000 a year instead of \$630,000,000, altogether apart from our huge Government imports.

It is impossible to say to what extent our earnings from freights, interest and commissions have been affected by the war, but unquestionably they have not covered anything like the above extremely large debit balance. In consequence we have been obliged for very many months to take exceptional measures to maintain our exchange with this country, from whom our chief purchases are made.

In fact, these unfavorable influences of the war began to tell very soon on our external position. Notwithstanding our drawing in, in the first months of the war, money which we had lying all over the world, which I believe amounted to a very large sum, and notwithstanding our great exports of gold, there was, by June, 1915, a collapse in our American exchange, and it was clear that much more drastic measures to maintain it were required. These measures could only be the mobilization of all our liquid assets salable abroad, and since that date it may be said that we have carried through completely this mobilization and placed those assets at the disposal of our Allies so far as they were not needed to pay our debts.

In the first place, you have received in gold over \$1,000,000,000 since August, 1914, of which the major portion must have been from the British Empire.

In the second place, we have taken the most drastic measures to insure that every holder of American securities, or indeed any other securities which we could sell or borrow against here, should either sell or lend such securities to the Government. We have, in fact, I think drained our country dry of them.

I should not like to hazard a guess as to the value of American securities exported here both by the Govern-

ment and private persons, but they may amount to between \$2,000,000,000 or \$2,500,000,000, or even more. We have in fact taken every possible step to sell you everything you will buy.

While the exchange between the Allies and nearly all neutral countries are depreciated, the exchange between New York and London has by means of the above measures been maintained practically at gold point to the very great advantage, not only of Great Britain, but of our Allies and also of the United States, and in fact of every nation, except our enemies, because all are interested in uninterrupted trade.

In peace time the exchanges find their own level. If a nation is living too extravagantly, the fall in its exchange will naturally tend to correct its extravagance, because imports tend to be restricted and exports to be encouraged. Naturally, if the exchanges are artificially maintained, that tendency ceases to operate. That is of course a disadvantage, but it would be more of a disadvantage if it were not that other and even stronger influences are restricting ordinary commercial imports into European belligerent countries.

I have already quoted the very striking figures of the tonnage of imports into Great Britain, which sufficiently prove that practically no imports are now being made, except such as are absolutely necessary.

Of course, no nation could permanently tolerate such unfavorable trade balances as those from which the Allies in Europe are now suffering. They can only do so now and keep their exchanges with the United States steady by borrowing immense sums here. But the war itself is not permanent, and the question is whether the present state of affairs can be continued long enough to all the enemies of the Central Powers to exert their full strength and win a final victory. It seems to me that the true way to consider this question is this: Taken together, the resources of all the nations fighting the Central Powers are, or should be, adequate for all war needs and indeed almost unlimited. Since we all wish to win the war we must all wish them utilized to the full extent. That involves the best possible co-operation between all the Allies, and it involves, too, those Allies which have the goods lending them on credit to those which have not and which need them. Since in my opinion there can never be any question but that all the Allies in Europe are absolutely good for any external debts they may incur, there is every reason why if we can extend credit to one another, we should do so. Speaking of my own country, I believe she will surprise the world when the war is over with the rapidity with which she will repay her foreign obligations. Her productive capacity is unimpaired, and indeed increased; she will possess enormous foreign capital investments, not, unfortunately, liquid enough to form valuable security for raising loans abroad, but which will continue to return her large sums in interest. Undoubtedly she will have to live economically, but that ought to have become an ingrained habit if the war goes on much longer. Indeed, I consider that in the case of any great European power the repudiation of foreign obligations is inconceivable. The nation which lends its credit is therefore building up a capital investment abroad of undoubted value. That capital investment has already in the case both of England and the United States reached enormous proportions. But there is this difference. Against what we have lent our Allies we have to set the capital assets we have sold and the debts we have incurred abroad. What we have lent out of our savings is small. But you have nothing to set against your loans. They have been done out of your savings and you have become a gigantic creditor nation instead of being a debtor one. Every nation has had to buy vast quantities of materials from the United States at enormously enhanced prices, and hitherto in the last three years while France, Russia, Italy and Great Britain have been becoming poorer, the United States have

become enormously richer. Your Government in return is now coming to the assistance of the Allies in the most generous manner by lending to all the Allies vast sums. It is only by so doing, as I said above, that the joint resources of all the countries fighting Germany can be made available in the most effective manner. Unless credit is so extended, either the materials cannot be used or the exchanges are bound to collapse, and trade for a while come to a standstill and be to a great extent permanently dislocated. The more speedily a great American Army can be landed in France, the nearer will peace be. But meanwhile it is vital that the armies of France and Britain, which are now doing the fighting, should be maintained at their maximum strength and efficiency, and for this they must have large supplies from this country.

You will no doubt all have noticed that the credits granted Great Britain have been greater than those granted to any other Ally. The reasons are simple, though they are not, I think, generally understood. We have, in the first place, the largest war and munition programme of any Ally; in the second place, as I have shown above, we are, with the exception of the United States, the largest industrial arsenal among the Allies; that necessarily involves large imports. We send a great deal of steel from England to our Allies; we have to replace it by steel from here. We make rifles for Russia; we have to import the steel to make them. We send boots to Russia; we have to import the leather needed. These examples might be multiplied many times. Thirdly, we extend large credits in England to our Allies, some part of which they may use anywhere in the world, and this part may ultimately come back on the sterling exchange in New York. Lastly, it is well known that neutrals who are owed money by England unfortunately find it convenient to utilize the sterling exchange in New York in order to recoup themselves in dollars. But so also do neutrals who are owed money by the other Allies. So long as we maintain the sterling exchange this appears to be inevitable, and the burden of financing both our own and our Allies' trade tends to fall on that exchange. It is by our maintenance of this sterling exchange that this continuance of our Allies' trade is rendered possible. The maintenance of the sterling exchange is the maintenance of the allied exchanges. All these factors together exert an immense influence. If England had had only herself to finance since the beginning of the war, and indeed even if she had only herself to finance now, it is quite possible she would not have needed to borrow at all abroad.

I have now completed my very broad sketch of England's efforts in financing her Allies and the manner in which she accomplished the task. Let me summarize it:

England had two kinds of resources only—

1. Her liquid assets, namely, her gold and her salable foreign securities.

2. The excess of her productive capacity over her consumption on her own war and civil needs. It matters not whether the products she had in excess were such as she could lend direct to her Allies, or whether she lent materials obtained from abroad either in exchange for her own products exported or in return for past or present services, e. g., interest and freight.

Her liquid assets she has in the past three years nearly exhausted. She can in fact no longer create credit abroad for her Allies except by borrowing. She is limited, therefore, to her own productive capacity. She can and does continue to extend credit in England when she can provide the goods, but she must leave it for the United States to grant credit in America.

Lastly, I come to the question whether our experience has any bearing on your own situation. It is not my intention to discuss what your country ought or ought not to do. That would be a delicate matter for an Englishman to do in any case, and, moreover, I am not compe-

tent to discuss your problems or fully to understand your difficulties. I know quite well that you have many difficulties quite other than financial ones, which we do not have. I can see, too, the enormous task before your Treasury in raising the huge sums of money which have to be raised for yourselves and for the Allies, and the difficulties as regards your neutral exchanges, and as regards the export of gold, which may be involved by the export on credit of such masses of material to the Allies, while on the other hand you are obliged to pay for your imports. You may, too, think very properly, that when the United States is lending such huge sums to the Allies, it is superfluous for me to discuss this problem at all. One observation, however, you will perhaps allow me to make. It is one which my account of our experiences naturally leads up to, and which in my opinion goes to the root of the problem. The credit which the United States extends to the Allies is being used entirely, or almost entirely, in purchases in this country itself. Indeed, in the main the materials must come from this country. You are the last great reservoir of supplies. There is nowhere else to go. In your case, therefore, even more than in ours, the fundamental problem lying behind the purely financial one, is the problem whether the materials which the Allies require are available over and above the supply of your own army and navy and your civil requirements. That is the problem which faced us. If I may judge from the newspapers, it already faces you. It will become more and more insistent because your own demands will be huge, and yet if we are not all to fail, it is vital that the French, British, Italian and Russian armies which are actually now fighting shall during the next year not go short of essentials to efficiency.

What are the chief materials required by the Allies? Food, steel, oil, copper, steel plates and so on. We hardly read of anything else in the papers but of the scarcity of these articles. Just like us, you are finding that you cannot produce and spend both for peace and for war at

the same time. "Business as usual" is impossible. Business cannot be as usual. The ravenous demands of a modern war compel every nation at war to choose between peace and war; if they have elected for war, they must order their economic lives accordingly; they must turn their industry from a peace to a war basis, and they must see that every war demand has a prior claim to every peace demand. Circumstances, I fear, will compel you to reduce by all means in your power the unnecessary consumption of labor and materials. Let me, perhaps, give one example:

There are, I am told, 4,000,000 automobiles in this country, as against 800,000 in the rest of the world. No doubt the great majority of these are used for industrial and commercial purposes, but are there not a large number of private cars which possibly might be laid by for the period of the war, as now in England? Consider the labor and material, the steel, the copper, the aluminum, the rubber, etc., used in the production and in the repair of these cars; the gasoline used in running them, the labor absorbed in the drivers and the keepers of the garages, and you will have an example of the economies that are possible by the abstinence and sacrifices of the civil population in war-time. Similar examples can, of course, be found in every sphere of life.

Germany has shown above every nation hitherto what miracles enforced economy can perform. France and England are following fast in her footsteps. The measures we had to take were the restriction of all unnecessary imports, the cutting down of consumption by the civil population, the regulation of industry, so that it produced what was required for war before there was any thought of what was required for peace. We are told by the papers that food is short, steel is short, oil is short, and many other things are short. It seems, then, that these same problems which faced us face you. It may be that the measures we had to take may be the right ones in your case also.

Trust Powers of National Banks

By THOMAS P. PATON, General Counsel for the American Bankers Association.

MR. CHAIRMAN AND MEMBERS: This edifice looks more like a pulpit than I have ever before had the honor of standing in. I was dignified by being placed first on the program, whereas the Secretary in writing me asked me if I would give a little informal talk of five or six minutes on this subject, and I have come with some scattered data, not intending to make any formal address. The subject for discussion is the provision of the Federal Reserve Act, Section 11 (k), which empowers the Federal Reserve Board to grant by special permit to National Banks applying therefor, when not in contravention of State or local law, the right to act as trustee, executor, administrator, or registrar of stocks and bonds, under such rules and regulations as the said board may prescribe.

Between the time that the act was passed in 1913 and June 11th of the present year, when the Supreme Court of the United States upheld the constitutionality of this provision, it was a subject of wide difference of opinion whether this section was constitutional. The question was tested in the Supreme Courts of two of the States. In both those cases three main questions were involved. First, did Congress have power to delegate legislative functions to the Federal Reserve Board, and was this a delegation of legislative power? Secondly, if it was not, did Congress have power to confer trust powers on National Banks? and thirdly, irrespective of the constitutionality, was such conferring of power in contravention of the State law of any State. I might say that uniformly all courts held that this provision was not an unwarranted or unauthorized delegation of legislative power by Congress to the Federal Reserve Board, that it was mere conferring of ministerial or administrative power, and was not unconstitutional for that reason. There will not be time to go into the underlying reasons or arguments or contentions for or against the constitutionality of this provision.

The result is sufficient to announce that on June 11th of this year the Supreme Court of the United States declared this section constitutional. Therefore the main question arising under this section is no longer open for discussion. It is a settled proposition. But there remains the further question which is the subject of more or less discussion, and more or less doubt at the present time, whether the grantee of trust powers in any given case is in contravention of State or local laws. What does that mean? The Federal Reserve Board, prior to the decision of the Supreme Court announced the policy some two years ago to authorize National Banks otherwise qualified to exercise

trust powers unless there was an express provision of the State law either first directly or second, by necessary implication, prohibiting National Banks from exercising trust powers; but fortunately the Supreme Court of the United States in its extended opinion has cleared up this question, so that there would seem to be very little doubt to remain. The Supreme Court has in plain language announced what was the legislative policy underlying the enactment of this section, and has said plainly the particular functions enumerated in the Statute were conferred upon National Banks because of the fact that they were enjoyed as the result of such legislation by State corporations, rivals in a greater or less degree, of National Banks. In other words, the plain purpose of enacting this provision was to enable National Banks in any State not to be at a disadvantage with State institutions exercising trust powers where these state institutions also exercised banking powers, and it put the National Banks on a par with state institutions in this respect. That was the underlying purpose. Defining the meaning, the particular meaning of the phrase "when not in contravention of State or local law," the United States Supreme Court has said that it means first where the right to perform trust functions is expressly given by the State law, that is, by State statute; and secondly, or what is equivalent, where the right is deducible from State law because State law has given the functions to state banks or corporations whose business is a greater or less degree rivals that of National Banks, thus engendering from the State law itself an implication in Congress to do as to National Banks that which the State law has done as to other corporations. In other words the Supreme court of the United States plainly says that wherever in any State banking functions are conferred by a legislature upon trust corporations, that conference of banking functions is in itself an implied recognition of the authority of Congress to authorize National Banks to perform the same functions. In most of the States, I may say that in over forty of the States at the present time, National Banks have been granted by the Federal Reserve Board full authority to exercise the function of trustee, executor, administrator and registrar of stock and bonds, but in a few States a question of doubt still remains. One of those States is the State of Illinois.

The Supreme Court of Illinois, in the case which came before that tribunal to test the constitutionality of the act granting trust powers, held two things: First, that the act was unconstitutional, and sec-

only, that it was in contravention of the State law, because the State law conferred or rather imposed upon the State officials the duty of visiting and of examining in those exercising trust powers, and also the State law had various regulatory provisions which could not be enforced against National Banks. Of course, the decision as to constitutionality was reversed, but the decision still seemed to exist that the exercise of trust functions by National Banks was contrary to the law of Illinois. Since the decision of the Supreme Court I have been informed that several prominent attorneys in Chicago, and I believe the counsel of the Federal Bank in Chicago, have all given opinion to the effect that the exercise of trust powers of National Banks in Illinois would be contrary to the State law. But to the contrary of this the Attorney General of Illinois has very recently rendered an opinion to the auditor of Public Accounts directly to the contrary. I am indebted to Mr. Russell, the Auditor of Public Accounts of the State of Illinois, for a copy of that opinion which I received from him while here, and I would like to call your attention to a portion of that opinion. The Auditor of Public Accounts called upon the Attorney General for an opinion upon the question as to what jurisdiction he had over National Banks, desiring to or doing a trust business in Illinois under Section 11 (k) of the Federal Reserve Act. The Attorney General replied, quoting the language of the act, and quoting from the opinion of the Supreme Court, and this is what he says with reference to the opinion of the Supreme Court of the United States: "The opinion of the Supreme Court of Illinois in the opinion under discussion, that is, the opinion of the Supreme Court of the United States, and in discussing the matter of regulation by State authority the Supreme Court of the United States has to say:

"Of course, as the general subject of regulating the character of business just referred to is peculiarly within the State administrative control, State regulations for the conduct of such business, trust company business by national banks, if not discriminatory or so unreasonable as to justify the conclusion that they necessarily would so operate, would be controlling upon banks chartered by Congress when they came in virtue of authority conferred upon them by Congress to exert such peculiar powers. And these considerations clearly were in the legislative mind when it enacted the statute in question. This result was seen to be plain when it is observed (a) that the statute authorizes the exertion of the particular functions by National Banks when not in contravention of the State law, that is, where the rights to perform them are expressly given by the State law, or what is equivalent is deducible from the State law because that law has given the functions to State banks or corporations whose business in a greater or less degree rivals that of National Banks, thus engendering from the State law itself an implication of authority in Congress to do as to National Banks that which the State law has done as to other corporations; (b) that the statute subjects the right to exert the particular functions which it confers on National Banks to the administrative authority of the Reserve Board, giving besides to that Board power to adopt rules regulating the exercise of the functions conferred, thus affording the means of coordinating the functions when permitted to be discharged by National Banks with the reasonable and non-discriminating provisions of State law regulating their exercise as to State corporations—the whole to the end that harmony and the concordant exercise of the National and State power might result."

"So from the language of the Supreme Court of the United States in the opinion under discussion, it occurs to me that the Auditor of Public Accounts has jurisdiction over National Banks endeavoring to do a trust business, to the same extent that he has jurisdiction over State banks doing a trust business and foreign corporations which are permitted to do a trust business in Illinois, so long as the authority exercised by the Auditor of Public Accounts is in harmony, and a concordant exercise to the end that the State and National Banks may work in harmony under the authority given by the State Banking Law and under the authority given in Section 11 (k) supra.

"It is left to you and the Federal authorities to determine the nature and extent of the rules and regulations you are to adopt in giving force and effect to the operation of the above act. I am informed that the Federal authorities have formulated the rules and regulations for the above purpose."

Notwithstanding, therefore, that the decision of the Supreme Court in Illinois, with the exercise of trust functions by National Banks would be in contravention of State law, because the National Banks would not be subject to the visitatory and regulatory control of the State, the Attorney General of Illinois reads from the opinion of the Supreme Court of the United States that there is no such contravention, and that such reasonable regulations of examination of National Banks or of requiring them to account or to report and so on, can be exercised by the State authorities over the National Banks subject to harmonious rules provided to cover the situation by the Federal Reserve Board. It would seem, therefore, that in nearly every State of the Union at the present day National Banks are eligible to exercise trust functions in the respective States, and so far as the State laws may seem to be in contravention, that is to say, so far as they might apparently impose obligations or duties upon a National Bank which alone they could not confer, those provisions are har-

monized or will be harmonized, so the Supreme Court says, by regulations to be adopted by the Federal Reserve Board, so that the rules of the Federal Reserve Board and the State laws will make a harmonized whole and there will be no contravention.

Now one further question comes up, there are one or two States, New York for example, where the State law expressly prohibits the exercise of trust functions other than by corporations created by the law of the State. It would seem clear after a careful study of this decision of the Supreme Court of the United States that such State laws would not hold. Just consider first, that the Supreme Court of the United States says that the particular functions, these trust functions, were given to National Banks because of the fact that they were enjoyed as a result of State legislation by State corporations, rivals in a greater or less degree of National Banks. Secondly, that the Supreme Court of the United States says that the right to exercise such trust functions by a National Bank is deducible from State law, because the State law has given the functions to State banks or corporations whose business in a greater or less degree rivals that of National Banks, thus engendering from the State law itself an implication of authority in Congress to do as to National Banks that which the State law has done as to other corporations. And thirdly, the Supreme Court further says, and this is particularly applicable to State prohibitory legislation: "The State may not by legislation create a condition as to a particular business which would bring about actual or potential competition with the business of National Banks and at the same time deny the power of Congress to meet such created condition by legislation appropriate to avoid the injury which otherwise would be suffered by the national agency." In other words, to sum up, this decision of the Supreme Court of the United States, which amplifies and reads a meaning into Section 11 (k), National Banks are eligible to exercise trust functions in any State where trust companies exercise banking functions, and any State legislation prohibitory of that will not hold because against the Act of Congress. That being so, this right would seem to be almost universal throughout the country at the present day, save only that it would seem in addition to the general regulations issued by the Federal Reserve Board that each State would require particular special regulations by the Federal Reserve Board to harmonize the functions of the National Bank with the particular State requirements. Now to conclude, there have been down to date, according to my records, ten States which have expressly enacted legislation authorizing National Banks to exercise trust powers in the State. Those States are Colorado, Indiana, Iowa, Ohio, South Dakota, Vermont, Virginia, Delaware, New Hampshire and Washington. In three of those States there have been qualifications connected with the legislation. In Ohio, for example, the powers given to act as trustee and registrar only, and does not extend to executor and administrator, and then only where the capital is \$100,000. Presumably National Banks could not be empowered to act in Ohio contrary to those laws unless State corporations were given privileges discriminatory against National Banks in New Hampshire, and this legislation was enacted the present year; the State legislation empowering National Banks to exercise trust powers requires the National Bank to first file and descend to examination of this trust department by the bank commissioners and acknowledge itself amenable to the jurisdiction of the Probate Court. In other words, that provides by legislation what in all probability the Federal Reserve Board would provide by regulation. In the State of Washington the minimum capitalization to exercise these powers is fixed by the Legislature at \$50,000, and the bank must first file a certificate with the State Bank Examiner agreeing to conform to all the regulations and restrictions of the trust company and relating to the trust business, including examination of the trust business by the examiner, and the payment of fees. Aside from these ten States there is no express legislation as yet in any of the other States, but the matter is left to the regulation of the Federal Reserve Board, with the right of the National Bank to exercise trust functions wherever trust companies exercise banking.

THE PRESIDENT: If there is no objection, the report will be received and filed. During the early part of the year the Executive Committee appointed a number of committees to give special study to new lines of banking opened up by the Federal Reserve Act. These committees have given the matter a great deal of thought and attention, and they represent the best banking talent in America, and it is with great regret that time will not permit as free a discussion of these topics as we would like. Reports of the committees, however, some of them very elaborate, I understand, will be printed for the benefit of the members of the Association, so the work accomplished during the session of these committees will be brought before each member of the section. I regret to advise that we will be only able to allow about ten minutes to the report of each chairman. The first topic we will take up will be International Relations and Dollar Exchange, led by John Clausen, San Francisco, California.

MR. CLAUSEN: Ladies and gentlemen, I do not think I can give the subject which has been assigned to me proper attention in ten or fifteen minutes, but I may perhaps be able to throw a light on some of the angles in about twenty minutes.

(Here insert Mr. Clausen's paper.)

Report of Proceedings

Annual Address of President Joseph S. Calfee

ATLANTIC CITY, Sept. 26, 1917.

In the interval that has elapsed since we met in Kansas City the bankers of the United States have been called upon to solve the most difficult problems that men now living have ever been asked to grapple with. It has been a terrific test, but the country has stood it well and out of it all has come a sort of financial preparedness to meet the perplexing difficulties that are ahead.

This is literally a war to preserve the integrity of everything that is worth while behind a bank loan. The European struggle has become a very real thing to us all since April 7th last and during the weeks that have intervened the American people have accomplished wonders in making up for lost time on preparedness work. One of the most marvelous achievements has been the mobilization of American industry through the cooperation of the world's best business men in daily conference at Washington. These unpaid captains of industry are rendering a truly patriotic service and will count immensely in the battle that must be won for civilization. When the history of these troublesome days shall be written, I believe that it will be found that the men in command of the country's "big business" have been among the most unselfish soldiers in the campaign to preserve civilization. Through their efforts the preparedness work has been reduced to a science, so that many million yards of red tape, which in other wars has hampered us, have been completely eliminated. The businesslike way in which the strong army of business men under the auspices of the Council of National Defense has been working to make the rest of the world respect the American flag is something which future generations will read about in a spirit of admiration and profound gratitude.

It is clearly the duty of American bankers to win this war, for without their cooperation victory can never be achieved. This is because war-making as conducted to-day is the most costly enterprise that men can engage in. Besides involving a frightful waste, the dislodgment of productive business is so great and the social readjustments are so far-reaching as to force upon the banking community almost unbearable burdens. The financial burdens of a great war, therefore, are beyond computation and must be reckoned as a contingent liability to continue many years after peace has been restored.

The American Bankers Association never did a finer piece of work than the putting through of the great Liberty Loan. Those of you who attended the Executive Council meeting at Briarcliff last Spring must now appreciate just what was done to arouse interest in the communities represented at that memorable meeting. Many of us come to the conference little impressed with the magnitude of the operation and some felt that it was a task which could be easily handled by the great banks of the East. It is not too much to say, therefore, that the success of the greatest loan offering ever made in the American market was due largely to the enthusiasm aroused by those who addressed us on that notable occasion. Every banker present gained a new idea of what the world-war really meant and of his own responsibility in seeing to it that the great loan should prove a huge success. Our missionary effort in support of that gigantic operation really dated from the Briarcliff meeting. I think it will be admitted by all of you that that meeting was tremendously inspiring in making us rally around the Liberty Loan flag—in other words, the Stars and Stripes—as nothing else up to that moment did. The members of this Association deserve great credit for their painstaking effort and their large financial outlays in the campaign of last Spring. It has been said repeatedly that without your efforts the loan could not have been put through. Without arguing that point, however, I think it safe to say that the bankers of the country paved the way for this most successful financial operation. Of the 3,035 million dollars of subscriptions which were sent in at the time of placing the two billion dollar Liberty Loan, 1,700 million, or 56 per cent., were made by or through National Banks. This is 10.59 per cent. of total resources, which is a very creditable showing, indeed, for the National Banks.

We shall have to put forth a similar effort in support of the second Liberty Loan. The task in this instance will be less laborious, because of the magnificent selling organization which has been kept intact. I feel sure that the loan will go well, but it is clearly a case where we can take nothing for granted and must develop wonderful team-work in making another house to house canvass for subscriptions. The loan will go well, because no great enterprise in which the American people were heartily interested ever has failed. I think we all feel, however, that the financial atmosphere will be cleared by getting this huge operation out of the way as soon as possible. It has been well said that the bankers of the country must act as virtual underwriters of whatever loans are necessary for the American Government to issue in support of this great war. It is of the highest importance, however, that we should pass these bonds on to individual investors as soon as it is possible to do so. It is of all things necessary during war times especially that the banks of the country should be kept liquid and be ready to finance the progress of American industry.

It is with a sense of profound satisfaction that we as National Bankers, in this time of war, may avail ourselves of the facilities offered by the Federal Reserve Act and to know what a bulwark of strength we have in the remarkable provisions of this law. The Federal Reserve System came into use during the fourth month of the war and it has been of the greatest possible assistance in helping us meet the vicissitudes of the war period. The system of trade acceptances is being gradually developed and by degrees we are creating in this country a well fortified discount market. This is something that we have never had before, but it is not difficult to forecast the immense benefits which must result from the development of the new

system. Under the provisions of the present law, the banks have instant recourse to the rediscount facilities of the Federal Reserve Banks. The country is to be congratulated in having such a banking system at hand, for there is no doubt that the system to-day represents an immense advance over anything that this country has had before. The safeguards offered by this system proved their worth during the period of sore trial in the early stages of the war and in connection with the flotation of the Liberty Loan and the revival of prosperity incident to the wonderful increase in our foreign trade. It is easy to see how the facilities of this great system will work out to the advantage of American business men after the war is over and when the serious work of restoring peace is taken up. Since November 15, 1913, the business of National Banks has been passing through an evolution—with the amendments passed during the present year, it may be said that the changes contemplated by the enactment of the Federal Reserve law have been completed and that the law is now in full force and effect. With the organization of the Federal Reserve Banks now fully completed, we will be in a better position to form an opinion of the law than in the past. Conditions in the United States during the past three years have been such that this great change in the banking business has been made without the slightest disturbance to general business.

The problem that we as National Bankers have before us at this time is to adapt ourselves to changed conditions and to take advantage of the facilities offered by the new law. We must recognize the changes which have been made and to successfully handle our business we must adapt ourselves to these changes and develop our business along modern lines. Many new and interesting lines of banking have been made possible and we hope to have a number of these important questions discussed at this meeting. The new law has worked an important change in the business of city banks by the transfer of reserves; for the country banker it has cut down profits by abolishing exchange charges. But after recognizing the enlarged powers of National Banks—rediscount privileges, acceptance laws, branch banking abroad, real estate loans, Trust Company powers, reduction in reserves—I believe that as a whole the banking business has been immensely benefited, giving a sense of satisfaction and security which did not exist prior to the enactment of this law.

With the adoption during the present year of amendments to the Federal Reserve Act, it would appear that practically all objections raised by State Banks and Trust Companies against joining the system had been removed, but up to the present time only 77 State institutions have joined. We indulge the hope that in the near future the system may be further strengthened by the membership of all eligible State Banks and Trust Companies. As the matter now stands, the responsibility of protecting the country in an emergency rests to a large extent with the National Banks and the 77 State institutions members of the Federal Reserve System. How much stronger would be the banking position of this country and how much better could the business of the country be protected if the reserves of all the banks of the United States were mobilized in the Federal Reserve Banks!

The past year has been one of marvelous growth for National Banks and business has been almost uniformly successful. The total resources of the 7,604 National Banks, as shown by official statement of June 20, 1917, reached the enormous sum of \$16,154,000,000. Compared with the statement of June 30, 1916, it shows a gain in deposits of \$1,913,000,000, and a gain in total resources of \$2,224,000,000.

The outlook for the banking business in the United States was never brighter than it is to-day. We are losing our provincialism, and even the interior banker is gradually becoming a world-banker in a very real sense.

In the past wars of the United States bankers have played no small part in bringing victory to our flag. All honor to those patriots who in the dark days of the Republic provided funds to successfully conduct our wars! Bankers of to-day are no less loyal and patriotic than their forefathers and may be depended upon to do their share in winning the present war. It will be necessary to put on the brakes where inflation threatens, for in times of stress it is of all things necessary for banks to keep liquid and to safeguard themselves against possible emergencies. I have every reason to believe that this will be done and that we shall emerge with flying colors and well prepared to solve the problems incident to the restoration of peace.

Report of Committee on Reserves

To the President and Members of the National Bank Section of the American Bankers Association.

GENTLEMEN:

Your Committee on Reserves beg to submit for your consideration the following:

The following tables will show the reserves required of the several classes of member banks by the Federal Reserve Act as originally passed, applicable at the end of the transition period November 15, 1917, and the reserves required by the Act as amended—

Country banks—

12% on Demand deposits,
5% on Time.

Classified as follows—

4% compulsory in Cash with Federal Reserve Bank.
3% optional in Cash, or with Federal Reserve Bank.

As amended—

7% of demand deposits with Federal Reserve Bank.
3% of time deposits with Federal Reserve Bank.

Reserve City Banks' requirements were—

15% of demand deposits,
5% of time.

Classified as follows—

- 5% compulsory (In Cash).
- 6% compulsory (Federal Reserve Bank).
- 4% optional in Cash, or with Federal Reserve Bank.

As amended—

- 10% of demand deposits with Federal Reserve Bank.
- 3% of time deposits with Federal Reserve Bank.

Central Reserve City Banks' requirements were—

- 18% of demand deposits.
- 5% of time.

Classified as follows—

- 6% compulsory (In Cash).
- 7% compulsory Federal Reserve Bank.
- 5% optional in Cash, or with Federal Reserve Bank.

As amended—

- 13% of demand deposits with Federal Reserve Bank.
- 3% of time deposits with Federal Reserve Bank.

The recent amendment to the Federal Reserve Act requiring reserves of all member banks to be carried with the Federal Reserve Banks, placed the banking business of this country, so far as the member banks are concerned, on a basis similar to that of the European banks, although European institutions are not required to carry any stated reserve, but carry balances with the large central banks, only retaining in their own vaults what is ordinarily termed "till money" or an amount sufficient for current needs.

It should be borne in mind, however, that the distances that separate the central banks from the smaller banks in Europe, are not so great as in this country, which would suggest that to render the system generally satisfactory, additional branch banks should be created in each district, so that if possible, each member bank in the district could ship currency to, or receive currency from the Federal Reserve Bank of his District, or a branch thereof, over night, in time for the next day's business.

Where this is not possible banks will find it necessary to carry cash on hand considerably in excess of what is usually considered till money.

We are reliably informed that banks in the larger cities at the present time, find it necessary to carry cash on hand of not less than 5 per cent. of their net deposits.

Owing to the scarcity of certain denominations of money during the crop moving period, it has been customary for banks prior thereto, to accumulate large stocks of bills of small denominations, to be in a position to respond to the needs of the banks located in the farming district. This money so carried formerly counted as part of the required reserve, but under the new system of resources, banks cannot afford to accumulate these large stocks of money of small denominations, and the result is, that it has been more difficult than ever this year to respond to the demand for bills of smaller denominations. In fact, the situation is so acute that the Federal Legislative Committee of the American Bankers Association has prepared an amendment to a bill that is now pending in Congress, known as the Hayes Bill, H. R. 2776, which will provide for a material increase in the issue of one dollar bills, by issuing one dollar bills in lieu of U. S. Treasury notes and U. S. Silver Certificates now outstanding of a higher denomination than five dollars, when same are presented for redemption.

The said bill further provides for the issue of one dollar bills by the Federal Reserve Banks, the cost of issuing same to be paid by the United States Government. This should enable the Federal Reserve Banks to keep an ample supply on hand of bills of all denominations, so that they can promptly respond to a request from a member bank for the shipment of currency composed of bills of desired denominations.

It is obvious that it will be necessary, for the member banks and the Federal Reserve Banks, and the branches that may be established, to cooperate fully if we are to attain the full benefit of the reduction in reserves contemplated by the framers of the act.

The Federal Reserve Act as now in force, places the entire responsibility of the reserves of the country, so far as the member banks are concerned, upon the Federal Reserve Banks, and the Governors of these institutions, and the several members of the Federal Reserve Board, will without doubt from time to time, have difficult problems to solve, and it is incumbent upon all of us to do everything in our power to assist them in the efforts they are making to perfect the system, so that it will render the greatest measure of assistance and assurance to the member banks of the system, in fact to the entire country.

The ability on the part of member banks to re-establish their reserves and their till money through the medium of rediscounts will enable them to respond to all the legitimate commercial demands of their patrons.

There is some danger in this power of expansion, and a tendency may develop to abuse this privilege. Any disposition on the part

of member banks to do so will without doubt be checked by the management of the Federal Reserve Banks.

The strong financial statement submitted by the Federal Reserve Banks each week, cannot but have a most stabilizing influence on the financial transactions of this country. The concentration of reserves in the Federal Reserve Banks has enabled these institutions to mobilize the gold reserves of this country. This ability to attract gold has been augmented by the recent amendment to the Federal Reserve Act, enabling the Reserve Banks to issue their notes in exchange for gold.

The system will not of course be perfect until all classes of banks have been brought into the fold, and it is the patriotic duty of all non-member institutions to become members. A great many will argue that they will lose money by joining. Granted that this is true, it is not fair to expect the member banks to bear the entire burden of this financial insurance, which has been provided by them through the medium of the Federal Reserve Banks, and it is the duty of the non-member banks to join the system and to pay their share of the cost of insuring the financial stability of the nation.

Member banks can very materially assist in assuring the success of the working of the Federal Reserve Act, and especially that part which pertains to reserves, in keeping their institutions in a liquid condition. It is not the province of a commercial bank to extend long-time credits, which are in effect capital, to their patrons. Business houses should only depend upon banks for seasonal borrowing, during such periods of the year as their own capital is insufficient to enable them to discount their bills covering purchases of merchandise.

Banks in the larger cities, especially, should invest a percentage of their loanable funds in high-grade commercial paper, bank acceptances and other short-time obligations, which will be liquidated at maturity, without any hope or expectation of a renewal. This will enable the banking institutions to increase or decrease their loans at will, as paper of this character, if not carried to maturity, can readily be sold, either in the open market, or re-discounted with the Federal Reserve Banks, at a rate which will usually provide a fair percentage of profit for the risk incurred.

It is customary for concerns selling their paper in the open market, through the medium of commercial note brokers, to issue notes payable six months after date. This paper is not eligible for rediscount until it has reached a ninety-day maturity, and it has been suggested that paper buying banks should urge the Commercial Note Brokers to urge their patrons to issue notes due in four months, which would only necessitate the purchaser of a note carrying same for thirty days, when it would be eligible for rediscount with the Federal Reserve Banks. This would tend to increase the liquidity of member banks, and would greatly strengthen our financial structure.

Banks should encourage their patrons to secure trade acceptances, in lieu of outstanding accounts, and to render the plan attractive should grant a lower rate of discount on paper of this class. The closing of outstanding accounts in this manner, and the sale of the paper, will have a tendency to eliminate any disputes that may arise in connection with the account, resulting from a drop in the market price of the commodity sold. When this condition exists it is easy for the customer to find fault with the quality of the goods, hoping thereby to secure a reduction.

The Federal Reserve Board and the Federal Reserve Banks have done everything in their power to encourage the use of trade and bank acceptances and grant an attractive rate on this class of paper when presented for rediscount.

We are, and have been enjoying a period of great prosperity largely brought about by the European war.

The rapid advance in the market price of raw materials has resulted in large book profits, which are more or less mercurial, and could be easily eliminated by a corresponding shrinkage. Merchants should therefore set up inventory reserves, so that they will be prepared to absorb this loss if, and when it occurs. Abnormal profits should not be dissipated in the payment of large dividends. This is a time for the thoughtful merchant and manufacturer to retire outstanding bonds, or to liquidate a floating indebtedness, and to set aside liberal depreciation reserves, and generally to place business on such a high plane that it will be able to stand a long period of depression. If the depression does not come, all the better. If this policy is pursued throughout the country we will be prepared for any emergency.

The banker's advice is sought in times like these and a word of caution may prevent many a merchant and manufacturer from over-reaching himself.

COMMITTEE ON RESERVES,

C. A. HINSCH,
Chairman.
GEORGE M. RAYNOLDS,
GEORGE WOODRUFF,
J. D. AYRES,
F. O. WATTS.

STATE BANK SECTION

AMERICAN BANKERS' ASSOCIATION

First Annual Meeting, Held in Atlantic City, N. J., September 25, 1917

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State Bank Membership in the Federal Reserve System

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

The double entry principle is the foundation of the science of accounting. There must be an alignment of debits and credits, and on all balance sheets resources are grouped on one side and liabilities on the other. In considering the merits of any banking system we must observe this principle of debit and credit. The advantages and the draw-backs must all be taken into account—a balance brought down, and its amount and the side upon which it falls will determine the merits of the system.

The Federal Reserve Act is the fourth important banking law of wide application which has been enacted by Congress. At the outset bank charters were granted by the states and not by the general government. Centralized control of credits was recognized to be dangerous and was regarded as being contrary to the spirit of our institutions. Yet the need for a strong bank with extended powers of note issue and of discount, was felt so keenly, that as early as 1791, Congress granted a charter to a dominant banking institution owned in part by the government, known in history as the first Bank of the United States. This bank appears to have been wisely managed and it undoubtedly served a useful function. There is no evidence of any flagrant abuse of its powers, but it was unable to secure an extension of its charter and was obliged to go into liquidation at the end of twenty years.

The demand for a large bank of discount and issue, however, continued to find expression, and five years later the second Bank of the United States was chartered by Act of Congress. The stormy career of this institution is familiar to all students of financial history; and while it afforded through its note issues a satisfactory circulating medium, and was useful in many respects, its arbitrary control of credits and its participation in politics created so strong a prejudice against it in the public mind that upon the expiration of its charter it too was unable to secure an extension, and after a few years additional of existence as a state bank it was finally forced into liquidation. In the ledger of public opinion the balance was found to be on the wrong side—the evils connected with the bank exceeded the good. So strong were the prejudices which it aroused that no bank modeled upon similar lines has since been allowed to exist in this country and probably none will ever be.

For more than twenty-five years after the fall of the second Bank of the United States the state institutions in this country had the financial field to themselves. Most of them were permitted to issue circulating notes under the laws of their respective states but these laws

were not uniform, and in most cases were entirely inadequate for the protection of the note holder. State bank currency was local in its character, and when circulated away from its place of issue the discount upon it increased in a degree corresponding to the distance, and no financial authority has ever contended that the experience of this country with state bank notes was at all satisfactory.

In 1863 Congress legislated for the third time in a comprehensive way on the subject of banking, and the National Banking system was the result. One of the underlying principles of this Act was the diffusion of banking power—the absolute autonomy of each bank chartered. “A national currency, with localized banking,” was the theory of the system’s sponsors. The law subjected the banks to wholesome restrictions and regulations, and required that their operations be supervised by a bureau chief of the Treasury Department, known as the Comptroller of the Currency. The national banks were authorized, upon the security of United States bonds, to issue circulating notes, which were free from the principal objections to state bank notes, in that adequate provision was made for their redemption, they were receivable at par in all parts of the United States, and their value was not affected by the insolvency of the issuing bank. A dual system of reserves was established for these banks, the law providing that part be kept in lawful money in the vaults of the banks and that part be kept with other banks approved as reserve agents.

Experience has shown that the national banking system was defective in three vital particulars:

(1) The currency provided by the banks while sound and stable, was absolutely inelastic; its volume did not depend upon the needs of trade, but was regulated rather by the price of the government bonds against which the national bank notes were issued.

(2) The pyramiding of reserves was another source of weakness. Banks in the larger cities acting as reserve agents for the country banks would have a plethora of funds at certain seasons of the year, while at other times, especially when crops were moving, their deposits would decrease and they would be called upon to rediscount heavily for their country bank correspondents. There was no rediscount market in this country available to the larger banks, nor was there any way of making adequate additions to the volume of currency in times of stress.

(3) A third defect in the national banking system lay in the lack of coordination and cooperation. There were no means of compelling banks to stand together for the common welfare, to mobilize their resources; and in all of our financial crises the trouble was aggravated by the desire of frightened banks to build up their own reserves without regard for commercial needs, and without any thought for the general banking situation. The state banks and trust companies were affected in the same way as the national banks.

These defects in the banking system were painfully evident during the severe financial panics of 1873, 1893,

and 1907; and while perhaps not entirely responsible for the weakness of our credit structure, they rendered it impossible to restore confidence, to provide for the requirement of business, or to minimize the effects of too drastic liquidation.

After the memorable panic of 1907, serious consideration was given to the subject of banking and currency reform, and the law which was approved on December 23, 1913, known as the Federal Reserve Act, the result of an aroused public sentiment sensed by a few strong personalities, was the outcome. Instead of one central bank, provision was made for the division of the country into twelve districts and the establishment of a Federal Reserve bank in each. This law has been amended in certain important particulars which the experience of actual operation has shown to be desirable; and, without attempting to discuss the reasons for the changes which have been made, let us consider some features of the act as it stands today.

The Federal Reserve banks are owned by the national and state banks which constitute their membership. Each member bank is required to subscribe an amount equal to six per cent. of its own capital and surplus to stock of the Federal Reserve bank of its district. One-half of the amount subscribed must be paid in, the other half being subject to call. After all necessary expenses of a Federal Reserve bank have been provided for, the stockholding banks are entitled to receive an annual dividend of six per cent. on the paid-in capital stock, which dividend is cumulative. After dividend claims have been fully met all the net earnings must be paid to the United States as a franchise tax, except that one-half of the net earnings must be paid into a surplus fund until that fund amounts to forty per centum of the paid-in capital stock of the Federal Reserve bank. Stock in a Federal reserve bank is not transferable, but upon the liquidation or retirement of a member bank, its stock must be surrendered to the Federal Reserve bank for cancellation, and payment will be made to the retiring bank equal to its cash paid-in subscriptions on the shares of stock surrendered, plus one-half of one per centum per month from the period of the last dividend, provided the payment does not exceed the book value of the stock.

While profit is a minor consideration with the Federal Reserve banks, their current earnings are such that they will before a great while be able to pay all accumulated dividends. Although carrying reserves of about 80 per cent. against all deposit and note liabilities, the average net earnings of the twelve banks for the first eight months of the present year have been at the rate of 12.1 per cent. per annum. The average net earnings for the month of August of the present year were at the rate of 17.3 per cent. The objection, therefore, which was raised frequently during the first year of the operation of the Federal Reserve banks, that the stock would prove to be a dead investment, is no longer a valid one. Each Federal Reserve bank is an autonomous institution, with nine directors, six elected by the stockholding banks, and three appointed by the Federal Reserve Board. One of these three is chairman of the board and Federal Reserve agent. He is authorized under the law to appoint one or more assistants, subject to the approval of the Board. With this exception, all officers and employes of Federal Reserve banks are chosen by their own directors, the Federal Reserve Board being given power to approve salaries and to make removals for cause.

The Federal Reserve banks do not come into competition for deposits with the commercial banks which compose their membership. They are not allowed to receive deposits from individuals, firms, corporations, or municipalities. While they may receive United States deposits, they are given no monopoly of such deposits. They receive deposits from their member banks and

from such non-member banks as may desire to carry balances with them for exchange or collection purposes, and no interest is paid by Federal Reserve banks on deposits. A glance at the statements which have been issued by national banks during the past two years—which show generally enormous gains in deposits—will demonstrate the absurdity of the fears formerly expressed so often that the Federal Reserve banks would reduce the deposits of their member banks.

There is no occasion here for an extended review of the powers of the Federal Reserve banks, or for a discussion in detail of rediscounts, open market operations, and note issues. It is now admitted by all, except a few irreconcilables, that the Federal Reserve banks do furnish an elastic currency, one capable of responding to the needs of the country by expanding in times of stress or of great commercial and industrial activity, and by contracting in periods of dullness, the limitations being the amount of gold obtainable for reserves against the notes outstanding and the eligible paper available as security for the notes. Even though there may be no reduction in the amount of Federal Reserve notes outstanding, actual contraction may be effected by increasing the gold reserve held against them. The gold reserve against the Federal Reserve notes now outstanding is 81 per cent., although the normal reserve required by law is 40 per cent. The operations in which the banks can engage are clearly defined by law, and there is no centralization of credits. Discount rates are fixed by the Board of Directors of each Federal Reserve bank, subject to the approval of the Federal Reserve Board, and applications for rediscounts of eligible paper are passed upon at each bank without reference to any other authority. One Federal Reserve bank may rediscount paper for another, either voluntarily, or by direction of the Federal Reserve Board upon the affirmative vote of five members. In this way we have a diffusion of credit but a concentration of resources.

All national banks were required by the law to become members and only a very few of them chose as an alternative to surrender their charters. The original Act provided for the admission of state banks as members, but during the first two years of the operation of the system few chose to exercise this privilege. The Act did not state in sufficient detail the terms and condition for state bank membership, but left much to regulation by the Federal Reserve Board; and while the Board's interpretation of the section relating to state bank membership was satisfactory to officials of most of the state banks which contemplated becoming members, it was felt that the banks would be on a safer ground if the terms were stated more clearly and definitely in the Act itself. The Act approved June 21, 1917, amended in several particulars the Federal Reserve law, and one of the most important amendments is that relating to the admission of state banks and trust companies. Section 9, as amended and reenacted, provides that "any bank becoming a member of the Federal Reserve system shall retain its full charter and statutory rights as a state bank or trust company, and may continue to exercise all corporate powers granted it by the state in which it was created, and shall be entitled to all privileges of member banks." So fully does this clause protect the charter powers of a state bank that the Attorney General of the United States has recently ruled that it exempts a state bank from the restrictions of Section 8 of the Clayton Act, which relates to interlocking directors. Other clauses of Section 9 as amended provide that while state bank members shall be subject to examinations made by direction of the Federal Reserve Board or of the Federal Reserve bank by examiners selected or approved by the Federal Reserve Board, in cases where the directors of Federal reserve banks shall approve the examinations made by state authorities, such examinations and re-

ports may be accepted in lieu of examinations made by examiners selected or approved by the Federal Reserve Board. This removes the objection that state banks are subject to double examinations.

Another objection frequently urged was that the law made no provision for the retirement of a state bank from the Federal Reserve system unless it should be expelled for violation of some regulation. The Act as amended provides that "any state bank or trust company desiring to withdraw from membership in a Federal Reserve bank may do so, after six months' written notice shall have been filed with the Federal Reserve Board, upon the surrender and cancellation of all of its holdings of capital stock in the Federal Reserve bank: Provided, however, That no Federal Reserve bank shall, except under express authority of the Federal Reserve Board, cancel within the same calendar year more than twenty-five per centum of its capital stock for the purpose of effecting voluntary withdrawals during that year."

Many State banks otherwise favorably inclined toward membership have been deterred from making application because of the limitations upon their loans which would be imposed. The Act now provides that a State bank or trust company which becomes a member of the Federal Reserve system shall retain the full statutory rights which it enjoys under the laws of its own State, so that the question of excess loans is determined entirely by State law. But in order to avoid giving State bank members an undue advantage over National banks, it is provided that "no Federal Reserve bank shall be permitted to discount for any State bank or trust company notes, drafts or bills of exchange of any one borrower who is liable for borrowed money to such State bank or trust company in an amount greater than ten per centum of the capital and surplus of such bank or trust company, but the discount of bills of exchange drawn against actually existing value and the discount of commercial or business paper actually owned by the person negotiating the same shall not be considered as borrowed money within the meaning of this section. The Federal Reserve bank, as a condition of the discount of notes, drafts and bills of exchange for such State bank or trust company, shall require a certificate or guaranty to the effect that the borrower is not liable to such bank in excess of the amount provided by this section, and will not be permitted to become liable in excess of this amount while such notes, drafts or bills of exchange are under discount with the Federal Reserve bank." Therefore, should a State bank member have in its portfolio large loans which would be excessive for a National bank, but which are permitted under the laws of its State, no objection can be raised from the standpoint of amount, by the Federal Reserve bank against such a loan; but in offering rediscounts to a Federal Reserve bank, the member bank should offer paper which comes within the 10 per cent. limit.

Our country is now passing through one of the most critical periods of its existence. It is engaged in the most frightful and costly war of all history. Totally unprepared six months ago for a serious conflict, it has now in training a vast army, and within the span of a few months will have completed preparations for war on land and sea, beneath the sea, and in the air, which ordinarily would have required years. It is advancing enormous sums to other nations with which it is associated in this war. The amounts necessary for financing our undertakings and for taking care of our commitments will aggregate \$18,000,000,000 for the first year—\$1,500,000,000 a month, or \$50,000,000 a day. Our actual expenditures since last April have far exceeded the total for the four years of the Civil War. In such circumstances our old banking system would have proved totally inadequate. It could not, in point of fact, have withstood the shock which we felt in 1914 when the war broke out between three great European powers on one side and two on

the other. The Federal Reserve Act, even before the Federal Reserve banks were fully organized, was the means of carrying us safely through that crisis, for the Act extended for one year the life of the Aldrich-Vreeland notes and made their issue practicable. Revival of confidence and a return to normal conditions were coincident with the establishment of the Federal Reserve banks. Their operation has given to every element in this country—the National banks, the State banks, the manufacturers, the merchants and the individual depositors—a sense of security which otherwise would have been totally lacking.

Within a few months four million subscribers have absorbed an issue of \$2,000,000,000 of 3½ per cent. Government bonds, the most gigantic financial operation this country has ever known. Yet there has been no financial stringency, no violent fluctuations in call money rates nor in discount rates; there has been no general calling of loans, no forced liquidation. At a crucial time during the month of June the Federal Reserve banks discounted \$663,196,000 of members' banks short time collateral notes and bankers' acceptances and the money situation was kept completely under control. The country is now about to engage in a campaign for the sale of the second issue of United States Liberty bonds. The amount of the offering will be, at the very lowest, 50 per cent. greater than the first. The crops of the country will be moving at the same time, and we should remember that before the establishment of the Federal Reserve banks money stringency during the crop moving period was a matter of annual recurrence. The twelve Federal Reserve banks are the fiscal agents of the Government. Through the facilities afforded by them and by means of the organizations which they have effected, the Government of the United States expects to gather up the funds necessary for its support in the present crisis, and by reason of their knowledge of the ability of the Federal Reserve banks to rediscount for them, the member banks look forward without fear to the impending demands upon them.

More than 7,600 National banks are members of the Federal Reserve system—members perforce at first, but most of them now by choice, and of the 20,000 State banks and trust companies in the United States, of which perhaps eight or nine thousand are eligible for membership, how many are standing shoulder to shoulder with the National banks in sustaining these Federal Reserve banks, which all agree are our financial bulwarks in the present emergency? Just eighty-four; but in this number are included many of the larger and more important State banks and trust companies. The capital of the State bank and trust company members of the Federal Reserve system amounts to more than \$61,000,000; their surplus to more than \$62,000,000, and their total resources to more than \$1,200,000,000, and new applications for membership are being received every day, from small banks as well as large. The following table shows the movement of State banks into the system has not been confined to localities, but that their membership has extended to all Federal Reserve districts except the third. The banking laws of Pennsylvania formerly prohibited the stock ownership which is necessary for the admission of a bank, but they have very recently been amended in this respect:

STATE MEMBER BANKS

Districts	Number Banks	Capital	Surplus	Total Resources
Boston	7	\$10,300,000	\$10,275,000	\$ 232,528,220
New York	5	5,600,000	8,246,165	199,490,595
Cleveland	3	4,700,000	4,700,000	112,078,100
Richmond	8	1,740,700	412,900	8,572,391
Atlanta	6	2,405,000	2,309,750	33,219,162
Chicago	24	20,485,000	18,647,000	393,981,964
St. Louis	6	10,750,000	14,500,000	149,087,326
Minneapolis	7	1,825,000	543,500	13,919,808
Kansas City	7	2,855,000	2,310,000	63,975,595
Dallas	10	835,000	155,650	9,117,321
San Francisco ..	1	50,000	100,000	1,493,790
Totals	84	\$61,545,700	\$62,199,965	\$1,217,464,272

I am confident that in a few weeks more the resources of the State member banks and trust companies will amount to more than \$2,000,000,000, and I cannot but feel that if the State banks and trust companies of America will give earnest consideration to the contingencies ahead of us, motives of self-interest, as well as a patriotic desire to co-operate will determine them to apply for membership, and that in time the number of State bank members will be nearer eighty-four hundred than eighty-four.

In making up your balance sheet on the Federal Reserve system, in grouping the assets and liabilities of membership, ask yourselves these questions: Are the Federal Reserve banks worth while? Would you care to have them abolished? If they are worth sustaining, should they be supported almost entirely by one class of banks, or should all unite in upbuilding them? Will their strength be augmented, and the financial welfare of the country further safeguarded, by your membership? Ask those State banks which are already members whether their charter powers have been hampered or curtailed by their membership; whether the regulations of the Federal Reserve Board have interfered with their business or methods of doing business; whether the Federal Reserve banks have been arbitrary in their dealings; ask them if they have had difficulty in getting from the Federal Reserve banks any accommodations to which they were entitled, or if they have had no occasion to ask for accommodation, what the knowledge is worth that the accommodation can be had when wanted. The answer to these questions I have no doubt must be placed on the asset side. On the liability side of your balance sheet make this entry: Loss of interest on reserve balances carried—and there is another entry which may appear on both sides of the sheet—the effect of the Federal Reserve collection system, for some of the banks will object to the loss of earnings occasioned by remitting for checks at par to the Federal Reserve bank. Others, and a constantly growing number, will make this entry on the asset side because of the facility which the Federal Reserve bank offers for the collection of their own outside items. And make this extension on the asset side: Every dollar of reserves carried with the Federal Reserve banks adds to their power to maintain sound and healthy banking conditions, to respond to any demands which may be made upon them, and to help our country win its fight for liberty and a safe and lasting peace. Then add up the figures, strike a balance, and your application for membership will follow!

Annual Address of President J. H. Puelicher

The State Bank Section of the American Bankers Association was organized at Kansas City in September of 1916. The Section is one year old, and has a membership of 8,451, out of a possible membership of 20,027, there being that number of state banks in the United States. That this Section, if wisely governed, can be made a powerful instrument for the good of the banking profession is evident from the foregoing facts and figures.

Immediately after the organization of the Section at Kansas City its officers and Board of Directors met for the purpose of outlining a program for the coming year. It was unanimously concluded that the great question which needed solution was the unification of the banking system of the United States, and that those handling the affairs of this new Section must assist in every way to bring about this unification.

In December the officers and members of the Executive Council had a second meeting which was held in Chicago. By that time it was known that amendments to the Federal Reserve Act was being offered tending toward the unification of the country's financial system which would vitally affect state banking institutions, and it was concluded that the officers and members of the Executive Council of the State Bank Section remain in close touch with the proposed changes in the Act.

With this in view, several of your officers had a number of conferences with members of the Federal Reserve Board which finally resulted in a joint meeting at Briarcliff between Governor Harding and Mr. Delano, representing the Federal Reserve Board, and the officers and members of your Executive Council, representing the State Bank Section. At this meeting the then proposed amendments to the Federal Reserve Act, as affecting state banks, were read and thoroughly discussed. After the reading of each paragraph a vote was taken to see whether or not its provisions met with the approval of those present.

The amendments as agreed upon at Briarcliff were enacted into law. The visits to Washington made by your officers were of an unofficial nature and made without expense to the Association.

I feel that the Federal Reserve Act as amended will be far-reaching

in the affairs of this country. There has been no greater piece of constructive legislation enacted since the adoption of the Constitution of the United States.

The amendments as they affect state banks leave these banks their full statutory rights and privileges, enable them to join the Federal Reserve System and enjoy its rights and privileges, and make possible the much desired unifying and stabilizing of our country's financial system, an achievement which should affect beneficially the affairs of every citizen of the United States, from the most humble wage-earner to the wealthiest capitalist. This is an epitomization of the first year's work.

Our task for the coming year, as I see it, consists in acquainting the state bankers of our country with the advantage of this new legislation. For the state banks much has been gained and nothing lost. As stated before, they retain their former charters and, what is more important, their charter rights; they retain supervision by their own state banking departments; they retain the benefits of the laws of their own states; and they add to this, by membership in the Federal Reserve System, all the privileges of the national bank, the privilege of rediscount, the prestige of being a part of the National Banking System,—all the privileges, without those objections which we hear most frequently urged. State bank members of the Federal Reserve System are not under the jurisdiction of the Comptroller of Currency. A recent conference between State Bank Examiners and Governors of some of the Federal Reserve Banks has resulted in the adoption of simplified and uniform statement blanks, similar to those now used by our State Banking Departments. The plan is to make that portion of our work attractive, rather than repelling, by making the statement forms simple rather than complex.

The duties of the office to which you elected me brought me into association with members of the Federal Reserve Board, as well as with the officials of a number of the Federal Reserve Banks. I am thoroughly convinced that these men simply wish, as you and I, to do their duty to the fullest, so that the Federal Reserve Banks may be of greatest service to the banks of the country, which they were designed to serve. My own experience with them thus far has been entirely pleasant and satisfactory, and if it continues as it has begun I cannot imagine the establishment of a more satisfactory relation. I cannot see anything that a state banker, from the most selfish viewpoint, could do that would be more beneficial to his own institution and to the banking business as a whole, than to join the Federal Reserve System.

* I want also to speak with you about membership in that system from another angle. This nation is at present at war. The war is of such magnitude that no mind is able to conceive where it may take us. The President of the United States has a task such as few men have been confronted with. He is entitled to the best that every loyal citizen has to give, the best thought, the best effort, the best assistance. The young man takes the musket and offers his life. There has been a mobilization of men to defend the principles to which this land is dedicated. Every man should hold at the disposal of our President those means, those talents, of which he has in the greatest abundance. To the bankers fall the tasks of aiding in the financial affairs of the country, tasks which I fear will be heavy but which, nevertheless, will have to be met. I know of no way in which bankers could serve their country with greater effect than by the stabilizing of its finances, and I know of no more effective way to bring about that stabilization than by the unification of the country's financial system. Join the Federal Reserve System. Make it the greatest financial system that the world has seen. Put back of our President a united 28,000 banks, ready to serve with all they have, if need be, as are our men who go to the front.

Vice-President Hinsch advises me that he intends to use all of the influence of the American Bankers' Association toward unifying the banks of our country. Vice-President Hinsch's undertaking most concerns us because it is our banks, the banks of our Section, that are being invited to join the Federal Reserve System, and, gentlemen, I know that after giving this subject careful consideration, you will all wish to do your part.

In closing this report I wish to express my appreciation of the loyal and intelligent support of Vice-President Huxford and Chairman of the Executive Council Hazlewood, of Mr. E. B. Hulbert, Chairman of the Federal Legislative Committee, and of that of the members of the Executive Council. It has become customary at the close of a report of this kind to make these complimentary remarks as a matter of duty, and, therefore, quite perfunctorily. I want the members of this Section to know that unless I could make them conscientiously and not simply in conformity with established precedent, they would have been omitted. They are made wholeheartedly and appreciatively because the officers and the members of the Executive Council were wholehearted and loyal in their support.

And now comes the mention of the work of the Secretary. At its first meeting your Executive Council cast about for some one with ability, experience and tactfulness sufficient to undertake the difficult problem of organizing the largest group of banks in our financial system. While thus engaged it was reminded that the expenses of so newly organized a Section would of necessity have to be kept at a minimum, and that the Secretary's salary would have to be paid largely in appreciation. Unusual ability and an inadequate salary. Mr. George E. Allen, the long time educational director of the American Institute of Banking, whose splendid work has put so many young American bankers into positions which they are able to fill with credit and profit to themselves, agreed to accept this position, temporarily if must be, and with no salary if necessary. These unusual conditions of employment have made no difference in the energy with which Mr. Allen pursued his duties, as nothing could make any difference in the intelligence which he would give to any undertaking. I sincerely hope that a way may be found whereby this unselfish servant of man may continue in the affairs of his Section in a way that will be as profitable to him as have been his services profitable to the Section.

For myself, I thank you for the honor that has been conferred upon me. I have lived up to the requirements of the office as I understood them to the best of my ability. I feel that men who were strangers to me a year ago, may now be numbered among my friends. You have given me both honor and opportunity, and I am grateful.

TRUST COMPANY SECTION

AMERICAN BANKERS' ASSOCIATION

Twenty-second Annual Meeting, Held at Atlantic City, N. J., Sept. 25 and 26, 1917

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Should Trust Companies Join the Federal Reserve System?

BY FRANK W. BLAIR, President of the Union Trust Co., Detroit, Mich.

The question whether Trust Companies throughout the country should join the Federal Reserve System is an exceedingly important one, and should be carefully considered from all points of view before a determination is reached. The discussion of the subject may best be had under three heads:

First: The advantages, if any, which may accrue to the Government from such action;

Second: The advantages, if any, which the Trust Companies themselves may derive from a connection with the Federal Reserve System;

Third: The disadvantages, if any, which may result to the Trust Companies themselves in case they become members.

FIRST.

It is hardly necessary to say that the Trust Companies will yield to no one in patriotic devotion to their country. The welfare of the nation is paramount, and must always be the first consideration, particularly in time of war. If it is necessary to the upholding of the Federal System that the Trust Companies should become a part of it, they will respond, even if such action is detrimental to their private interests. It is certainly reasonable, however, and not unpatriotic, to consider whether the benefit, if any, which the Government may derive from such action by the Trust Companies is sufficiently great to justify the sacrifices of the private interests represented by the Trust Companies, provided that such interests are liable to suffer, or incur serious risk as a result of the Trust Companies becoming a part of the system.

It not infrequently happens that an appeal to patriotism leads to extremes, which result in no benefit to the country, but, on the other hand, in harm to the people themselves, who are led astray by their own excessive zeal and overenthusiasm. The nation is best served by those who give reasonable and steady consideration to the great problems which are constantly arising, and whose actions are guided by judgment rather than impulse.

About the only substantial benefit which the Federal Banking System will derive from the Trust Companies becoming members is that such action will aid in the mobilization of the gold reserve of the country, which is one of the principal purposes of the Federal Reserve Act. This, however, has already been provided for in another way, by the voluntary action of the Trust Companies themselves. At the May meeting of the Executive Committee of the Trust Section, a resolution was adopted urging the Trust Companies to keep their gold reserves

with the Federal Reserve Bank of their respective districts; and if State authority is required to enable the Trust Companies to do this, that every effort should be made to secure such authority. It is evident that if this recommendation is complied with, it will be as effective as if the Trust Companies actually joined the system. Any Trust Company which is unwilling to keep its gold reserve with the Federal Reserve Bank certainly will not voluntarily go further and join the system, which will involve the same action. It would seem, therefore, that there is no compelling reason for the Trust Companies joining the system in order to give it support.

SECOND.

Let us consider, then, the relative advantages and disadvantages which may result from so important a change in the conditions under which the Trust Companies must administer their affairs, and if possible, decide upon which side of the proposition the most benefit lies.

Taking up the advantages which the new system may afford: The only ones of particular importance are the rediscount privilege, the ability to receive Government deposits, and the benefit of the collection system.

So far as the rediscount privilege is concerned, this may be of some advantage to those Trust Companies who are in fact not Trust Companies, but banks, or where the banking end of the business dominates and overshadows the Trust business; but as a rule Trust Companies have little paper which would be available for rediscounting, and they invariably have such business connections and affiliations as to make the privilege of rediscounting of comparatively small importance.

The other advantages, that of being qualified to receive Government deposits, and the benefit (if it be a benefit) of the collection system, are already enjoyed by non-member banks, under the recent amendments to the Federal Reserve Act, and therefore need not be considered as a reason for joining the system.

THIRD.

The disadvantages which are likely to result in case of a Trust Company becoming a member of the system are principally those which affect the transaction of their Trust business strictly, so-called, rather than such banking business as may be carried on by the company. In

order to fully understand this, the distinction between banking and the doing of a trust business should be kept in mind. The relation between a bank and its customer is that of debtor and creditor. The title to the money which the depositor leaves with the bank passes, and the money becomes the property of the bank, to be invested or disposed of as the bank may see fit, without accounting to the depositor. If a profit is made it is the bank's profit. If a loss is incurred, it is the bank which suffers the loss; and in either event the depositor has a right to the return of his money by the bank, because of the contract relations between them. The relation between the trustee and its *cestui que trust* is precisely the opposite. While the technical title to the money or property is in the trustee, the beneficial ownership is in the beneficiary. The trustee has no right to use the trust funds for its own advantage or to mingle the trust funds with its own; and if after exercising reasonable judgment in the investment of the funds a loss occurs, it falls upon the beneficiary, and not upon the trustee. This being so, the first requisite is that trust funds should invariably be kept separate and distinct from all other funds belonging to the trustee—a requirement which unfortunately is not always complied with, and the importance of which is not always appreciated. The necessity for such segregation of trust funds is coming to be quite generally recognized. Many of the recent banking and trust laws contain provisions requiring banking and trust powers to be exercised by separate corporations; and where a single corporation is vested with both classes of power, rigid restrictions are provided as to the segregation of the two classes of business. This distinction is recognized by the Federal Reserve Board in their regulations of national banks, which have been granted trust powers. These regulations specifically provide that trust funds and securities shall be strictly kept separate and distinct from the general funds and securities of the bank, and that separate books of account shall also be kept. It was because of the conviction that the trust business could be administered best by separate corporations that the recent effort to obtain such a construction of section 11 K of the Federal Reserve Act was made.

Having this distinction in mind, it is obvious that the provisions of a system designed for the conduct of a banking business alone may not fit the transacting of a trust business.

Trusts are peculiarly local in character. The interests involved are purely private and individual. The laws respecting their administration, particularly those governing the administration and descent of property of deceased persons are far from uniform throughout the country, varying according to the different and changing requirements of the community subject to them. Rigid restrictions involving expert service and much expense, which are not only appropriate but imperative in metropolitan communities, may be altogether out of place and unnecessary in country districts or more sparsely settled regions, where conditions are entirely different.

At the present time there is no general Federal law regulating trusts, and it is extremely doubtful whether it would be desirable, even if constitutional (about which there is much doubt), to undertake to prescribe general rules upon the subject, applicable alike to all parts of the country.

In considering the effect of a trust company becoming a member of the Federal System, under the recent amendments the distinction between banking and the exercise of trust powers cannot be lost sight of. When a trust company exercises its banking powers, they are exercised under recognized laws, which are practically uniform, and little is left to arbitrary regulation; and so far as the Federal Reserve Board has the power to make regulations respecting the business of State banks, such regulations naturally must conform to the uniform requirements imposed upon National banks. On the

other hand, there is no general trust law to which corporations exercising trust powers must conform. The laws of the several States are far from uniform. The extent of the power of the Federal Reserve Board to make regulations is not entirely clear, but it is certain if general rules of uniform application are made, they must inevitably conflict with some of the State regulations to which State corporations are already subject. For example, there is a great difference in various parts of the country as to the amount of capital which a trust company must have before it can transact a trust business. In some States it is small and in others large. A uniform rule upon the subject not only would conflict with some of these provisions, but would be undesirable. The same may be said as to the amount of security to be deposited with State authorities; the liability of shareholders and of officers; examinations by State authorities; methods of liquidation; and many other State requirements.

Under the amendments permitting State corporations to become members of the Federal System, the corporation is supposed to retain all of its charter rights, and reciprocally must be subject in all respects to the control of the State authorities. The control which the Federal authorities may exercise over such corporations is not regulated by any Federal law upon the subject, but rests solely in the discretion of the Federal Reserve Board, whose action is unrestricted and subject only to such limitations as the members of the Board may impose upon themselves. If a conflict arises, which is almost inevitable, the very difficult and undesirable situation is presented whether the regulations prevail over the State law or whether the State corporation, which has been invited into the system upon the assurance that it would retain its charter privileges, may continue to enjoy them, notwithstanding the regulations.

That this is a question fraught with doubt and uncertainty even in the minds of Government officials is illustrated by the conflicting opinions which have been rendered on the matter of the application of the Clayton law to State banks joining the system.

Under the amendment of June 21, 1917, a State bank joining the system is subject only to the provisions of the Federal Reserve Act, which relate specifically to member banks, and in all other respects "the bank shall retain its full charter and statutory rights as a State bank or trust company, and may continue to exercise all corporate powers granted it by the State in which it is created." The right to select a director, who is also a director in some other bank or trust company, would seem clearly to be one of the rights and privileges of a State bank, when not prohibited by State law. Counsel for the Federal Reserve Board has given an opinion that the Clayton law prevents such State banks from electing directors who are also directors in other banks or trust companies. More recently an opinion has been handed down from the office of the Attorney General to the effect that the Clayton law does not in this case apply.

The objection to a double control which may result in unseemly conflict, is a serious one, and is intensified when applied to trust powers, because of the character of the control which would be exercised by the Federal authorities. As already pointed out, it would not be a control by Federal laws adopted in the usual and orderly method of legislative procedure, as there are no Federal laws regulating the administration of trusts. It would be an administrative control by executives, who declare the rules which they themselves enforce, rules made without hearings of parties to be affected, and discriminatory, if they choose to make them so; rules which have the force of laws, though adopted in a manner at variance with the long established principle that the administrative department of our Government should be distinct from the leg-

islative, that the people should make the laws and the administration should enforce them.

It should be distinctly understood that this criticism is not directed against the members of the Federal Reserve Board, most of whom have shown themselves to be in all respects able, public-spirited and fair-minded. It is a great principle which is involved. Our Government is rapidly drifting toward autocracy. We are being governed by an increasing number of commissions and bu-

reaus which, under the guise of regulations, are rapidly usurping legislative prerogatives. The situation is a menacing one, and cannot be ignored.

Speaking, therefore, for those trust companies which are in fact transacting a substantial trust business, and not merely a banking business in the name of a trust company, I am convinced that under present conditions the best interests of the trust companies will not be promoted by entering the system.

Consideration of the Federal Reserve System from the Standpoint of the Trust Company or State Bank

By BRECKINRIDGE JONES, President of Mississippi Valley Trust Company of St. Louis.

In May last the Trust Company with which I am connected joined the Federal Reserve System. We received dozens of inquiries from other State institutions—Trust Companies and Banks—asking the reasons why we had joined. To save duplication of work, I had printed the substance of the answer in a pamphlet entitled: "Why One State Institution Joined the Federal Reserve System," and sent it to our correspondents and some others.

Then came your President's request for me to speak here. I consented, thinking I could use the meat of that pamphlet, but before I knew it—being on my vacation—the pamphlet was reprinted in the Federal Reserve Bulletin and Trust Companies Magazine, so I must shift the kaleidoscope.

Before an audience such as this it would be a waste of time to recur to the defects of our old currency system, or to treat as a debatable question now the fundamental value of the Federal Reserve Act. It is now conceded everywhere that the new system is a masterful improvement over the old. No one would return to the old. In the last campaign not one candidate for public office, anywhere, even as much as suggested a repeal of the Federal Reserve Act. It has come to stay, and is justly popular with the general public. It has already aided in a great public service. It is everywhere admitted to be a comprehensive, compact, strong, efficient banking system, even though not perfect. Universally, bankers admit its prime value in preventing panics, stabilizing commerce, protecting the banker, facilitating his customers, and above all, in aiding the Government to finance the war. Every financial institution in the United States, whether a member or not, has been, and is, a beneficiary of its operations. But Mr. Warburg, the very able Vice-Governor of the Federal Reserve Board, will discuss before the General Convention the merits of the Act and what it has accomplished. I refer to it only to voice the thought that as the efficiency of the Act will be the more accentuated as the number of members is greater, as the gold reserve is larger, and as the collection system is more comprehensive, there is a distinct patriotic duty on the part of every eligible Trust Company and State Bank to join the System. That is the conclusion when viewing the subject from a national standpoint. While I will leave for Mr. Warburg's facile pen the discussion of the national viewpoint of the System, I can not refrain from attaching as an addendum to this paper an illuminating letter of recent date from our old friend in the Trust Company Section, the Chairman of the Federal Reserve Bank in New York, Mr. Pierre Jay, as it is too valuable not to be read and put in the record.

But, what are the benefits? I speak now not of the general benefits that come from the fact that the System is in successful and efficient operation—benefits which every institution will receive, whether it is a member or not—but of the benefits which, when looked at from a selfish standpoint, would influence a State Bank to join the System. (The term "State Bank" as herein used will be understood to include Trust Companies.) What are the express provisions of the law relating to a State Bank that becomes a member, and what are the practical considerations incident thereto?

Legal and Practical Advantages and Disadvantages of State Bank and Trust Company Membership.

Section 9 of the Federal Reserve Act, as amended June 21, 1917, provides among other things:

"Subject to the provisions of the Act and the regulations of the Board made pursuant thereto, any bank becoming a member of the Federal Reserve System shall retain its full charter and statutory rights as a State Bank or Trust Company, and may continue to exercise all corporate powers granted it by the State in which it was created, and shall be entitled to all privileges of member banks."

Under this provision it becomes material to inquire:

First: What are the results of this new enactment providing that a State Bank entering the System shall retain all its charter and statutory rights?

Second: What are the provisions of the Act and the regulations of the Board to which such right will be subject?

Third: What are the privileges of a member bank to which it will be entitled?

First: As to Retaining All of Its Charter and Statutory Powers.

The Federal Reserve Board at first claimed for itself the right to prescribe what part of the charter powers of a State Bank or Trust Company an institution should exercise if it became a member of the

Federal Reserve System. That position was fundamentally objectionable to the State Banks and Trust Companies, and, upon a thorough presentation of the matter to the Federal Reserve Board, the Board, by regulation, practically abandoned that position and left the matter with a declaration that if the charter powers of a State Bank or Trust Company were such as, in the opinion of the Board, would interfere with the liquid condition of the State Bank or Trust Company, there might be a limitation put on the State Bank's facilities in re-discounting. But State Banks, and especially Trust Companies, feared that after they had come in the Board might change those regulations (having the same right to change as to make), and so interfere with the Bank's powers, especially those that were not enjoyed by national banks. That objection has been removed entirely by the recent Congressional amendment.

Under the amendment the Federal Reserve Board is given the power to make rules and regulations as to the right of a State Bank to become a member, and in acting on the application, shall consider the financial condition of the applying bank, the general character of its management, and whether or not the corporate powers exercised are consistent with the purposes of the Act.

Thus, if there is any question as to whether the Bank's condition, management or corporate powers are not consistent with the purpose of the Act, that question will be settled before the Bank becomes a member, and there will be no chance afterwards for embarrassment on that account. The conditions under which the Bank enters can be covered by the terms of its application, which, when granted, may amount to a contract.

An important result is that a Trust Company will preserve intact all its trust powers.

(a) Loans in Excess of Ten Per Cent. of Capital and Surplus.

Under the original Act, the restrictions applicable to National Banks as to lending not over ten per cent. of their capital and surplus (Section 5200 National Bank Act), were made to apply to State Banks joining the System. Under the amendment that application was repealed, and a State Bank retains all its charter and statutory rights as to the amount it may lend to any one borrower.

This ten per cent. limit on loans was a subject of great objection on the part of many State Banks. Whether their objection was well taken is not now important.

(b) Usury.

Under the original Act, the Usury Laws that applied to National Banks were made to apply to State Banks becoming members. Many State Banks preferred to operate under their State Laws, under which they had built up their business, and with which they were familiar. The amendment repeals the application of that Section so that now a State Member Bank, in the matter of usury, will be subject only to the law of its own State, unless the statutes of the State in which the Bank is located, in terms make a Bank joining the Federal Reserve System subject to the Federal usury laws.

(c) Clayton Act—Interlocking Directors—Private Banks.

There is an interesting, and to many, I am sure, an unexpected, result of the amendment. The Clayton Act (Sec. 8) prohibits interlocking directors and also prohibits a private banker, under certain limitations, from being "a director, or other officer or employee in any bank or banking association organized or operating under the laws of the United States."

Under the original Act the Federal Reserve Board construed that a State Bank becoming a member was "operating under the laws of the United States," but on the 10th of this month the acting Attorney-General of the United States, in an opinion to the Secretary of the Treasury in construing this amendment, said:

"Section 9 as amended goes further, and by positive provision declares that State member banks shall retain their 'full charter and statutory rights' as State banks, 'subject to the provisions of this Act and to the regulations of the Board made pursuant thereto.' Since the rights existing under State laws as to selection of directors seem clearly among the 'charter and statutory rights' thus retained in full by State member banks, they must be held free in that regard from the restrictions imposed by Section 8 of the Clayton Act."

This opinion, which, without doubt, will be followed by the Federal Reserve Board, removes the main objection that a number of the

large State Banks and Trust Companies had to entering the System. Many of their directors are directors of other State Banks and Trust Companies, or are "private bankers," and these last words have practically been construed to include not those who deal entirely on commission, but every broker or bond dealer who makes a business of buying and selling securities for his own account. Heretofore, if they had become member banks they would have lost from their boards all these interlocking directors and private bankers—a very serious loss, and in many instances a controlling factor in keeping them out of the system.

Many State institutions did not object to this restriction because they rather liked the idea of having directors whose only affection was for them, and not divided with a competitor.

Note also that while the Clayton Act in the particulars mentioned does not apply to State Banks and Trust Companies, it does apply to National Banks, because they are distinctly "organized and operating under the laws of the United States."

Second: What are the Provisions of the Act and the Regulations of the Board to Which Such Right Will Be Subject?

Note that the amendment specifies eleven special provisions that shall apply; and, by specifying these eleven, under the accepted rules of construction, all others are excluded.

True, the amendment makes a member State Bank subject to the regulations of the Federal Reserve Board, but, again under the recognized rules of construction, these regulations will be applied to the administration and orderly carrying out of the law as enacted by Congress, and will not give the Board the power to make the State Banks subject to specific provisions of the law other than those here now set out:

1. A State Bank must comply with the reserve and capital requirements of the Act.

being the same as applied to National Banks. I believe there is no particular disadvantage in this.

(a) The reserve requirements now are:

For country banks 7% of demand deposits and 3% of time deposits.

For Reserve city banks 10% of demand deposits and 3% of time deposits.

For Central Reserve city banks 13% of demand deposits and 3% of time deposits.

These reserves must be kept in the Reserve Banks and no interest is allowed thereon, whereas now a large part of these balances of non-member banks are kept with city correspondents at, say, two per cent. interest. This is the one objection that is the most often urged, especially by the smaller banks. As a Member Bank can get currency as a matter of legal right and without delay from the Federal Reserve Bank, either from balances or from re-discounts, many member banks need to keep practically only till money in their offices. As a matter of fact, they do run on much lower cash reserves than formerly, and this difference is of such an amount that the interest earned from loaning it, nearly, if not entirely, offsets the loss of interest on the balance with the Reserve Bank.

In our case, most of our required balance for the Federal Reserve Bank was taken from our vaults, where it had earned no interest, and now we lend down much nearer to our required reserve, and at the same time are better protected and feel more secure than before we joined.

If a State Bank reserve has been (which is seldom the case) and is to continue to be (which is improbable) maintained constantly at the minimum, upon entering the System such bank would be required to transfer from its depositaries, which pay two per cent., to the Federal Reserve Bank, which pays no interest, and the loss of interest would be of considerable moment. As a matter of fact, however, its reserves for the greater part of the year have been considerably in excess of the legal minimum. Should it continue this practice, a large portion of these funds now with depositaries could be continued with them, and this loss of interest would be small. If, on the other hand, by reason of its facility for getting currency and its re-discount privileges, it can run on less balances than heretofore, then this difference could be loaned out at more than double the two per cent. it has been getting, and there would likely be no loss, but a profit.

Should a State Bank join the System, it would not be compelled to maintain much excess cash reserves when anticipating stringent money conditions, or when providing the financing of large transactions, either alone, or when it participates with other banks. It could, therefore, employ to greater advantage its excess reserves by applying them in the usual channels which yield a higher return than the interest received from its city depositaries.

(b) State Bank Members must have a capital at least equal to that required for a National Bank in the same place.

This is reasonable, and certainly there can be no objection to it on the part of the banks that are of the size required.

2. State Banks must conform to the legal provisions imposed on National Banks:

(a) Prohibiting such banks from loaning on, or purchasing their own stock;

(b) Relating to the withdrawal or impairment of capital;

(c) Relating to the payment of unearned dividends.

These provisions make for good banking and are found in substance in the laws of most of the States. There is no disadvantage in conforming to them. The original Act put each of these matters under the Comptroller, whereas this amendment puts them, as to State Members, entirely under the Federal Reserve Bank.

3. State Bank Members are made subject to the provisions and penalties of the U. S. Revised Statutes, Section 5209, which relates to embezzlement, abstraction, misapplication of funds, false entries, and issuing obligations or disposing of assets without authority from the Directors.

These provisions are wholesome and above objection. The enforcement of the penalties under this section was never under the Comptroller, but for the National Banks has always been, and now for all members is, in the courts.

4. At least three reports of condition and of payment of dividends must be made each year on call of the Federal Reserve Bank on dates fixed by the Federal Reserve Board.

The original Act provided for these reports to the Comptroller; but the amendment requires them only to the Federal Reserve Bank on dates fixed by the Federal Reserve Board. Under the regulations, if the call is made as of the same day as the call of the State, as is usually the case, a copy of the statement made to the State will be sufficient. The laws of most of the States require at least two statements for State Banks, while under the National Bank Act, National Banks must make five. Moreover, many of the clearing houses require all of their members—including the State institutions—to make statements whenever the National Banks are called for a statement. There may be some little added labor and some slight additional expense under this requirement, but I have heard of no Bank making this an objection. Most State Banks prefer to make statements when their competitors make them.

5. State Bank Members under the amended law are subject to examinations made by direction of the Federal Reserve Board, or of the Federal Reserve Bank, instead of by the Comptroller, as required by the original Act. But if the Directors of the Federal Reserve Bank approve the examinations made by the State authorities, such examinations may be accepted in lieu of the Federal Reserve Bank examinations.

This approval is usually given where the State examinations are considered worthy. The Board may also order special examinations, and if made, State Banks must pay the expense of such examinations. This is a wholesome provision: the tendency of it is to make the State Examiners more careful. No State Banking Department would like to have its examinations turned down. Every State Member Bank will aid in making the State examinations so thorough that a Federal examination will not be required. This will tend to hold to a high standard all State examinations, whether of member banks or not, as the examiners will likely use the same yardstick everywhere.

It is material to note here that these provisions entirely exempt State Bank and Trust Company members from examinations by, or reports to, the Comptroller of the Currency under the provisions of Section 5240, U. S. Revised Statutes, or otherwise. In other words, since the recent amendment to the Federal Reserve Act, a Member Trust Company or State Bank is not in any way subject to the Comptroller of the Currency; and so far as the Federal Reserve Act is concerned, it is subject to examinations and reports of condition only to the Federal Reserve Bank of its district. And note further, that the officers and directors of the district bank are residents of the district, familiar with local conditions, accessible to personal acquaintance, and two-thirds of them are chosen by the stockholding banks of the district, the other third being selected by the Federal Reserve Board. The two-thirds chosen by the stockholding banks can elect all the officers except the Federal Reserve Agent and his deputy, and can in general control the management of the District Board.

6. Non-compliance with the provisions of said Section 9 of the Act, or the regulations of the Federal Reserve Board, made pursuant thereto, subjects State Bank Members to surrender of stock and forfeiture of privileges of membership.

This penalty can be imposed, not by the Comptroller, as before the amendment, but only by the Federal Reserve Board, and only after a hearing, and the Board may restore membership upon proof of compliance with the Act. Without meaning to imply that it would have been otherwise under the Comptroller, it is meet to say that this insures that there will be no spasmodic, supercritical, or unreasonable enforcement of the Act, and that a Bank will have its attention drawn to any alleged violation and will have ample time to explain or reform its conduct.

Thus, insofar as the Federal Reserve Act is concerned, this provision amounts to giving to the Federal Reserve Board about the same right as to controlling membership in the System that each State reserves to itself as to all corporations—namely: the right to forfeit a charter by *quo warranto* proceedings where a corporation violates the law.

7. Under the original Act there was no express provision for a State Bank's getting out of the System, if it were once in.

In answer to that objection—frequently and forcefully urged—the Federal Reserve Board made a regulation providing for withdrawal on twelve months' notice; but now, under the amendment, State Banks may voluntarily withdraw upon six months' written notice. There is, however, a limitation that the aggregate withdrawals in any one year shall not be more than one-quarter of the capital of the Federal Reserve Bank.

8. State Bank Members are made subject to all the provisions of the Act which relate specifically to member banks, except that State Bank Members are not subject to examination by the Comptroller, as above mentioned.

(See 1st and 2nd paragraphs of Section 5240, as amended by Section 21 of the Act as amended June 21st.)

In this connection, Section 22 of the Federal Reserve Act should be mentioned, as it is the only section that need be discussed in this connection as affording grounds for objection to entering the System. It will be hereafter discussed.

9. While State Bank Members are not limited by the Act in the amount of loans to any one borrower, they can not procure re-discount of paper by any one borrower beyond ten per cent. of capital and surplus, with the usual exception that discount of bills

drawn against actually existing value, and all business paper actually owned by the person negotiating the same, shall not be considered as borrowed money. In connection with re-discounts a certificate of non-excess must be furnished.

There would seem nothing objectionable in this provision.

10. There is a further prohibition against over-certification by an officer or clerk of a State Bank Member analogous to the similar provisions of the National Bank Act.

However, the penalty is to be imposed, not by the Comptroller, as before the amendment, but only by the Federal Reserve Board after a hearing. There is no objection to this.

11. A State Bank must subscribe six per cent. of its capital and surplus to the capital stock of the Federal Reserve Bank.

One-half of this is payable immediately, and the balance is subject to call of the Federal Reserve Board. In no instance as yet has this last one-half been called. The Federal Reserve Bank is required to pay, when earned, [cumulative] dividends of six per cent. on the amount paid in. Some of the Federal Reserve Banks have not yet made such earnings. As a whole, however, they have earned over 5% on their stock, and from this time on it seems evident that they will each earn the required six per cent. If they do this, there is no loss to the subscribing bank, except to those banks where the earnings on all its assets are in excess of this. No bank could be much hurt by putting 3% of its capital and surplus in such a 6% investment. But even if there should be some little loss here and some little loss on the interest on balances carried with the Federal Reserve Bank, this loss may be considered as premium paid for insurance. Those in the System are not making any complaint along this line.

The suggestion has been made that it would be wise to eliminate the requirement of subscription to the capital stock of the Federal Reserve Banks, as this stock serves no particular function in the Federal Reserve System. In other words, the Federal Reserve Banks do not require any capital stock, and if the stock were entirely eliminated, or reduced to a very small amount, the various Federal Reserve Banks would not be obliged to earn money in order to pay dividends, and this would tend to keep the Federal Reserve Banks out of the open market and out of competition with the member banks.

Third: What are the Privileges of a Member Bank to Which It Will Be Entitled?

(a) ACCEPTANCES AND DISCOUNTS.

The acceptances of a member bank can be sold on the open market at a rate estimated at between $\frac{1}{4}$ and $\frac{1}{2}$ of one per cent. lower than the similar obligations of a non-member bank. It appears that banks generally concede this additional credit to a member bank. This is demonstrated by the daily quotations as to acceptances of the higher class of members and non-members. The advantages, however, are not to be measured solely by present business. As acceptance business grows more general, a bank is likely to have more business and more prestige if it can offer more favorable rates than other banks who are not members of the System. A member should be able to maintain not only its present prestige, but materially increase it.

Non-members are limited in trading in acceptances and deprived of fair profits derived therefrom by reason of the fact that they have no fixed channel by means of which they can dispose of their acceptances, except in the open discount market, which is limited and precarious in times of firm money rates.

The regulations of the Federal Reserve Board defining eligible paper are liberal. From month to month acceptances are coming into greater use and the discount market is broadening. By amendment of the Act, acceptances can be made against domestic, as well as foreign, shipments; but State Banks are not limited by the Federal Reserve Act in the character of drafts which they now have the power to accept under their State charters and statutory rights. A State Bank, however, is limited by the Act in certain respects as to the quantity that it can accept for one borrower or in the aggregate. But such limitations relate entirely to drafts or bills of exchange which grow out of transactions involving the importation or exportation of goods or which grow out of transactions involving the domestic shipment of goods, provided shipping documents conveying or securing title are attached at the time of acceptance, or which are secured at the time of acceptance by a warehouse receipt or other document conveying or securing title, covering readily marketable staples; and does not anywhere refer to or affect a State Bank's right, if it has it under State charter or statutory powers, to accept plain finance bills which may have no documents attached. And the limitations that are given in the Act (when it says that no Member Bank shall accept, whether in a foreign or domestic transaction, for any one person, etc., to an amount equal to more than 10 per centum of its capital and surplus, and when it says that no bank shall accept such bills to an amount equal at any time in the aggregate to more than fifty per cent. of its capital and surplus, with the privilege, upon approval of the Federal Reserve Board, of increasing to one hundred per cent. on foreign drafts alone, or on foreign drafts and domestic drafts together, provided that such domestic drafts shall not exceed 50% of such aggregate) are limitations upon the amount of drafts or bills of exchange just above mentioned and have no reference to ordinary drafts that may be accepted by a State Bank under its statutory rights.

There is also the right to accept drafts drawn for the purpose of furnishing dollar exchange up to an additional 50 per cent. (See Section 13 of the Act as amended.)

Let me repeat, there is no limit, so far as the Act is concerned, on the character of acceptances a State Bank can make, nor as to the quantity except as above mentioned. My prediction is that the large Trust Companies will find a very large increase in their business along this line, and especially when they know that they have a fixed right to discount with the Federal Reserve Bank.

(b) COMMERCIAL PAPER AND BILLS PURCHASED.

In addition to the re-discounting privilege in the handling of acceptances, a State Bank going into the System will have the privilege of re-discounting with the Federal Reserve Bank eligible commercial paper and bills of exchange in such an amount "as may be safely and

reasonably made with due regard to the claims and demands of other banks."

The Federal Reserve Bank's rate of re-discounting this class of paper will usually be from $\frac{1}{2}$ to 1% under the rate which the particular paper yields to the Member Bank offering it for re-discount. A State Bank will be limited in a large expansion of its commercial business unless it has re-discounting facilities, such as are afforded by the Federal Reserve System. It must have facilities as good as those of its competitor.

No restrictions are imposed by the Federal Reserve Act on a State Bank's present powers to make loans under the State Law—its full charter and statutory rights in this particular remain intact.

(c) ACCOUNTS FROM MEMBER BANKS AND ACCOUNTS CARRIED BY STATE BANKS WITH DEPOSITARIES.

At the present time a National Bank, or a Member State Bank, having excess reserves, can not deposit an amount greater than 10% of its capital and surplus with a non-member bank and many banks at various times wish to have more than this with their city depositaries. The recent amendment having removed nearly all the fair objections a State Bank could raise against joining the System, a large number of Trust Companies and State Banks are now prepared to join, and they, therefore, would be subject to the same restrictions.

If a State Bank in a reserve or central reserve city wishes to have large deposits from member correspondents it should join the System. It should then be able to materially increase the amount of deposits from Member Banks, and with such increase there would naturally follow an increase of deposits from non-member banks.

(d) COLLATERAL LOANS FROM FEDERAL RESERVE BANKS.

To borrow money from the Federal Reserve Banks for a period not exceeding fifteen days on the member's own promissory note, secured by commercial paper or government bonds or notes.

This is an important privilege and can be used on a moment's notice to enable a bank to protect its reserve against sudden or unexpected large withdrawals of deposits, or calls for funds. It gives an opportunity to use as collateral for the time specified, bonds or notes of the United States, and paper that might not be eligible for discount, that is, such drafts, bills of exchange or bankers' acceptances as might not be eligible for re-discount, but would be eligible for purchase by it.

(e) FEDERAL RESERVE NOTES AND OTHER CURRENCY.

To obtain Federal Reserve notes and other currency as needed from the Federal Reserve Bank. Here again, a member is relieved from dependence on the convenience or ability of its city correspondent. You know the Reserve Bank always has the goods, and always finds it convenient to deliver them.

(f) TO RECEIVE DEPOSITS OF POSTAL SAVINGS AND OTHER GOVERNMENT FUNDS.

The law requires now that new or additional postal savings shall be deposited with member banks only. Thus, where a Member Bank loses deposits to the Postal Savings, and in troublesome times this may be quite worth noting, the money may at once come back by the bank's being a Postal Savings Depository.

(g) TO HAVE CHECKS AND DRAFTS DRAWN UPON IT RECEIVED AT PAR BY ALL FEDERAL RESERVE BANKS.

(h) TO MAKE ITS DRAFTS ON THE FEDERAL RESERVE BANK AVAILABLE FOR IMMEDIATE CREDIT AT ANY FEDERAL RESERVE BANK.

(i) TO PARTICIPATE IN THE CHECK CLEARING AND COLLECTION FACILITIES OF THE FEDERAL RESERVE SYSTEM.

A member is not required to use these facilities, but has the privilege. In passing, it may be well to remark that a number of clearing houses are settling their clearing house balances by check on the Federal Reserve Bank, and under the amendment permitting this, non-member banks are keeping balances there for that purpose. Note that these non-member banks consider the benefits such as to justify them in keeping balances there without interest.

Moreover, doing business with the Federal Reserve Bank is a great convenience in buying and selling New York Exchange. Hereafter, in the large cities, I think it will soon be almost impossible to do this economically without being a member. The collection system developing under the Federal Reserve Board can not be equalled by any other method. Under the amendment, banks can charge for the collection of checks drawn on them, except when presented by a Federal Reserve Bank. In the course of time, this will develop a monopoly of the collection business through the Federal Reserve Bank. There will be great advantage here from being a member.

Each of the last three (g), (h) and (i), deserves extended attention, but time will not permit; each is worthy of consideration in a separate paper, and the more each of them is considered, the more distinctly will appear the advantages a member has over a non-member.

Section 11 (k)—Trust Powers to National Banks.

Since the Supreme Court of the United States has decided that Section 11 (k), giving National Banks certain Trust powers, is constitutional, it is likely that in due course many of these banks will develop Trust departments, and if they do, then they will advertise their Trust departments as under Federal supervision, and, therefore, entitled to greater favor from the public. They now do this in their Savings departments. There will then be the same reasons of prestige to come up for consideration with the Trust Companies. These Trust Companies that are members will likely be advertising that they can give to their patrons the additional protection of Federal supervision, and in addition will make to the public a plea for more patronage, or more support, because they stand before the public with every possible

element of public supervision and public protection that is afforded under the law, either State or Federal. I think this may be an additional reason for Trust Companies to come into the System, and may, in some communities where competitors are aggressive, be sufficient, along with the other general considerations, to induce a Trust Company that does no commercial business to join the system.

Section 22 of the Federal Reserve Act.

The most serious objection to the Act, from the standpoint of the State Banks and Trust Companies, was that they found that Section 22 of the Federal Reserve Act practically prohibited an officer or employee, director or attorney, of a Member Bank from transacting any business with the bank. This may be stating the matter too broadly, but the general effects only are in contemplation. The penalties in this Section No. 22 are fine and imprisonment. It is thought that the Federal Reserve Board has had more trouble over this section than any other section of the Act. The Board did not feel that it had any right, by regulation, to modify or define the express Act of Congress, but upon the whole subject being fully presented to the Board, the result was that the main objections were met by the Board's recommending an amendment to the Act, providing that interest might be allowed on balances of directors, officers, employees, and attorneys, and loans made to directors and attorneys on the express written authority of a majority of the Board of Directors. The Federal Reserve Board has ruled that this can be accomplished by a general resolution. While the prohibitions of this Section, apparently are not receiving special notice from the authorities at this time, yet it would be wise for any State Bank or Trust Company, before it enters the System, to have Section No. 22 referred to its attorney for a report.

This section needs further amendment, so that without at all lowering the standards, its prohibitions will not unduly interfere with very many reasonable and proper transactions.

Membership gives a State Bank or Trust Company added prestige. The general public has confidence in the Federal Reserve System, and feels that banks that have the benefits of membership, and are subject to Federal supervision, are being managed safely, and are in a stronger position to take care of themselves and their customers under any and all circumstances. It is no answer to this to say that the size and growth of State Institutions show that they are popular with the people, and that a State Bank can always expect to get assistance from its city correspondent, which it knows is strong—and this, whether that correspondent is a member or not—and that it has always been liberally treated by that correspondent. It is well known that there have been many times when the city correspondent, whether State or National, under the old law, could not get currency and when it could not lend money to its country bank customers, and that the tendency is, in general tight money times, for the city bank to be famishing for funds at the same time that its country correspondent is hungry for money. On which of two correspondents would you prefer to have to rely in times of stress—the member that you know has the right to rediscount with the Federal Reserve Bank and get needed money for you, or a non-member, who has no such right, and who may have to depend on the courtesy of one of its correspondents or depositors who is a member? I believe it true that practically every large Trust Company keeps the majority of its reserve accounts with National Banks, or with State Banks who are members. This is not alone for the reasons of reciprocal business, but because those large institutions realize that they need the protection of the Federal Reserve System, indirectly, at least. It seems reasonable that customers, especially those whose business requires large lines of credit, should do business with a bank which, in times of drought, has the right to go direct to the reservoir. Before we became members, we certainly felt that way. I could not answer the argument. We thought that in the long run our customers would arrive at the same conclusion, so we joined the System, and ever since have been glad that we did.

It is generally admitted that the Federal Reserve Board is made up of men who are competent, prudent, reasonable, approachable and patriotic, and who do not play politics. The same may be said of the Boards of the several Federal Reserve Banks. The public knows this; the public believes in the System; the public understands the benefits that will accrue to a bank from joining the System; and it will not be very long before there will begin to be an opinion that if an eligible State Bank or Trust Company does not join the System, it is because the character of its business, or the condition of its business, is such that it would not be permitted to join.

The advantages of membership are distinct, important, and cumulative. The disadvantage that is most often asserted is that the Federal Reserve Bank does not allow interest on balances. As a nation, we are giving liberally our blood, and our treasure, to this gigantic struggle. We send our boys to the front—we kiss them good-bye with valiant hearts. Will we then falter at so paltry a sacrifice, if it be one, as losing a little interest on our balances. Our country needs credit, and as more billions are required, more credit will be required to protect those boys, to absorb the financial shock during the war—to win the war—and after the war to be in shape for a rapid convalescence.

The best way to make the foundation for more credit is to corral the gold of the country in Federal Reserve Banks and have the banks of the country present a united co-operating force. Will you do your part?

ADDENDUM

Views of Pierre Jay

Chairman Federal Reserve Bank in New York

BUCKMAN, N. M., September 18, 1917.

DEAR MR. JONES: I regret that, through illness, I have been unable before to answer your letter of August 27th asking for my views as to the advantages and disadvantages of membership in the Federal Reserve System. It gives me pleasure to answer, but instead of presenting a sort of ledger account with the debits to membership on one side and the credits on the other, I should rather leave this to be figured out by each individual Trust Company, and suggest to you certain benefits from the System both to business and to banks, which may seem too intangible or remote to enter in a balance sheet, yet which

constitute the really important services which the System is rendering the country.

We are midway in the transition from a system of scattered reserves to a system of concentrated reserves. The system we are leaving behind was a fair weather system; it would not work in bad weather. It was all right when the winds were light and credit was moving at its normal velocity, but when the winds suddenly freshened, and the velocity of credit movements increased, it failed to work, for it had no way of suddenly manufacturing the new credit required by the increased velocity except by drawing on its own reserves, which inevitably meant withdrawing credit already extended in other directions, thereby chilling our whole industrial fabric.

The banks in the various reserve cities which carried the banking reserves of the country, and which were expected to furnish the new credit when needed, were commercial banks operated for profit and carrying reserves relatively little larger than those of the banks for which they were expected suddenly to manufacture the larger additional credits. Theoretically, they were habitually near the end of their credit manufacturing power. In practice, they could not produce the required amount of new credit.

Many country banks have referred to the ease with which they came through the various panics from which we have suffered, saying that their city correspondents have taken good care of them. This is undoubtedly true, but the city correspondents were often able to do so only by weakening their own position to such an extent as to bring about either suspension or payment typified by clearing house certificates, or by such a readjustment of their other credits as to cause a paralysis or slowing up of industry which has caused the loss of untold millions to the customers, employers and employees of the country banks which have expressed such satisfaction at the way they have gotten through past panics.

The whole trouble came because the reserves of the country were kept in institutions keeping commercial bank reserves, instead of reserve bank reserves. A commercial bank carrying from fifteen per cent. to twenty-five per cent. reserve is not an institution to which one can safely look to manufacture suddenly, any large additional amount of credit. It is already using its credit nearly to the limit. The Federal Reserve Banks, on the other hand, normally carry reserves from seventy per cent. to eighty per cent.; their ability suddenly to manufacture credit is very large. They are like a large reservoir of unused credit which may be drawn upon at any moment without causing financial strain or disturbing existing credits.

As I have said, we are midway in the transition from the old way of keeping our bank reserves, to the new way. Half the banking resources of the country have adjusted themselves to the new way and have affiliated themselves with this new, efficient and smooth working credit factory; the other half cling to their old system with all its rigidity and inelasticity, and its inability to give them the credit facilities they need unless it falls back on the Federal Reserve System. They have postponed the decision as to joining the Reserve System for one reason or other, the reason most generally assigned being that they wished to wait until the system had come into action and had been tested. Well, the system came into action and was tested last June. Under the enormous transactions of war financing, the wheel of credit suddenly began to revolve with a velocity never before known in the country. As usual the strain was felt most acutely in New York, the money center. Funds on deposit in New York began to be withdrawn to other parts of the country in enormous volume to pay for treasury certificates of indebtedness and Liberty Loan bonds. As fast as practicable the Treasury transferred these funds back to New York to make advances there to the various foreign governments. To maintain their reserves during this period the New York banks had recourse, freely, to the Federal Reserve Bank. On June 1st, its loans and discounts were sixty-two millions, representing the extent to which its credit was in use. They had stood at about this sum during the two preceding months. On June 19th its loans and discounts were two hundred and seventy-four millions, or an increase of two hundred and twelve millions in nineteen days in the extent to which its credit was required by the local banks. A month later its loans and discounts had fallen to seventy-three millions, showing the temporary nature of the demand and the ability of the Reserve Bank to contract as quickly as it expanded its credit. Furthermore, besides supplying this vast amount of credit to fill the vacuum caused by the withdrawal of funds from New York, the Federal Reserve System supplied the machinery to transfer hundreds of millions of dollars every week back and forth across the country without the shipment of a dollar of currency or coin and presumably without a dollar of cost to the banks making the transfer.

The figures for the rest of the country are not so striking but two hundred and twelve million dollars is an amount of credit far exceeding the largest amount of clearing house certificates ever issued in any year by the New York banks. What would have happened if the Federal Reserve Bank had not been there to provide this sudden and pressing demand for credit no one, of course, can say, but I am convinced that it would be utterly impracticable to carry on the Government's war financing on the large scale necessary without the existence of the Federal Reserve System. But the Federal Reserve System, with one-half of the banking resources of the country behind it, might well prove unable to supply the credit required by all of the banks of the country, should the strain become too severe.

It, therefore, seems to me that the Trust Companies and other State institutions, now that the system has had its test, the severity of which is perhaps not generally appreciated, owing to the steadiness of the conditions it produced, and now that the laws have been amended in so favorable a way to the State institutions, should consider the question of entrance to the System, not solely on the basis of whether they will suffer an immediate loss or show an immediate profit from membership, but on the far broader basis of public policy and of what will be the best for themselves and their customers in the long run; whether their reserves will be used in such a way as to be an element of strength to the financial business of the country, or whether as an element of weakness.

One of the things for which the country banks have criticized the Federal Reserve System has been the par collection system. The criticism is a perfectly natural one, but it fails to recognize the broader aspects of this mandatory provision of the Act. In 1863 the volume of

bank notes was sixty per cent. of the volume of bank deposits. Now bank notes equal only six per cent. or seven per cent. of the deposits of the national banks. Deposit currency now completely overshadows bank note currency. In 1863 the National Bank Act was passed to standardize bank note currency. One of the objects of the Federal Reserve Act was to standardize deposit currency.

Just as it took some years to effect the standardization of bank notes a half century ago, so it will now take some time to standardize bank checks, but I venture to say that a few years hence we would no more revert to the unscientific method of dealing with check collections and domestic exchanges which prevailed up to 1914, than we would be willing to go back to the system of bank notes prevailing prior to 1863.

The Federal Reserve System is eliminating from our domestic exchange transactions that element of cost supposed to arise from the shipment of currency to make exchange, by itself absorbing the cost of shipping currency whenever this is necessary. At a cost which is negligible and assumed in the public interest, the system has been able, through the medium of its gold settlement fund, to make transfers and settlements at par between all twelve Federal Reserve Banks and the districts they represent. Any member choosing to use its facilities may make settlements at par in any part of the country. Bankers and business men do not generally understand that the country is thus on a par basis for the remittance of funds, but members of the Trust Company Section will not be slow to grasp its significance.

It would be difficult for members to figure any direct profits from the administration of the gold reserve of the country by the Federal Reserve System, yet this is one of its functions which, if properly exercised, should, when the exchanges become normal, prove of immense benefit in steadying the credit conditions of our country. During the past three years the System has accumulated over \$500,000,000 of gold

in exchange for Federal Exchange notes, in addition to the gold provided by the deposits of its member banks, its total gold holdings now being about \$1,398,737,000.

There is still over \$500,000,000 of gold and gold certificates in circulation as pocket and till money, a considerable portion of which should also gradually find its way into the Federal Reserve Banks. If they should be able, through this means, and through the entrance of a considerable number of State institutions to the System, to accumulate a fund of \$2,000,000,000 gold, there would still be left about \$1,000,000,000 of gold in bank vaults and elsewhere, yet the System would have the largest gold fund in the world, and would be put in the strongest possible position not only to deal effectively with international gold movements, but to assume successfully the responsibility which must inevitably fall to its lot of constituting the first line of defence of our Government in maintaining the gold standard of this country.

I have written you about intangible, rather than tangible, advantages of the Federal Reserve System, because I believe that, in the long run, they are the ones that count most. I have felt also that the country was in a mood to consider intangible things just now, since it has entered the war with no thought of profit or gain for itself, but to help "make the world safe for Democracy." For this purpose, which seems somewhat remote from us, we are preparing to make colossal sacrifices of men and money. Is it too much to ask the State institutions to consider membership in the Federal Reserve System in this same spirit, even though no immediate profit may be figured therefrom, and even though it may possibly entail some sacrifice, in order that our banking system may be made safe for that larger participation in the world's commerce and finance which we are being irresistibly called upon to assume?

Very truly yours,
(Signed) PIERRE JAY.

Committee and Officers' Reports—Trust Company Section

Report of Chairman of Executive Committee, by John W. Platten

President McCarter, in concluding his report of the activities of the Trust Company Section during the year 1915-1916 to the General Convention at Kansas City last September, stated: "Through the efforts of the Chairman of the Executive Committee and our new Secretary, increased activity in the Section's affairs is confidently expected this year." Whether that expectation has been fully realized, can best be determined after appraising the work to be reported.

Six meetings of your Executive Committee have been held during the year.

The first meeting was held at the close of the Section Convention, and the second meeting was held in New York City, on December 5, 1916. Considerable routine business was transacted, many matters having been given special consideration. The custom of presenting to the retiring president each year a souvenir was voted to be discontinued. It was, however, decided to continue to present to the retiring president each year a permanent badge, properly inscribed.

In order to further stimulate the activities of the Section, and to bring all members into closer touch with the work of the Executive Committee, your Chairman reported having sent to all members at the end of October, 1916, a letter, as follows:

1. What can the Section do to assist in the forwarding of your Company's interests, or in the upbuilding of its various activities?
2. What suggestions can you offer which, in your opinion, will best promote the interests of Trust Companies as a whole?
3. What methods do you suggest with a view to securing the enrollment of all Trust Companies not now members of the Association? Approximately 25 per cent of the total number of Trust Companies are not now represented in the membership.

Many interesting and valuable replies to this letter were received, and as a result of the recommendations made, two sub-committees were created, one to make an analytical study of the Federal Reserve Act, with a view to ascertaining objections by Trust Companies to entering the system, and to make recommendations for definite amendments desired to the Act. As members of this Committee the Chairman appointed Messrs. John H. Mason, of Philadelphia, and Frank W. Blair, of Detroit, afterward adding the name of Mr. Festus J. Wade, of St. Louis. Another committee was created to investigate the practicability of a national publicity campaign, or several local campaigns to promote fiduciary and other Trust Company services, and in connection with which your Chairman appointed Messrs. James M. Pratt, of New York, and Ralph W. Cutler, of Hartford.

Following this meeting and again, with the view of stimulating and creating still greater interest on the part of the Trust Company members of the Association, the action of the Committee in the above respect was set forth in a circular letter dated December 28th, stating the purpose of the Committee in the appointment of the special committees and inviting their cooperation and suggestions.

At the third meeting of the Committee, which was held on February 27, 1917, the day following the seventh annual banquet, the Chairman reported that the circular letter had resulted in bringing to the newly created committees a number of excellent ideas and practical suggestions bearing upon their activities. At this meeting the question was introduced of aiding the Government in the mobilization of the country's gold supply, through Trust Companies depositing their gold reserves with their National Bank correspondents, in order that the metal could find its way into the vaults of the various Federal

Reserve banks. No definite action was taken, however, in connection with this matter.

Report was also made of the Seventh Annual Trust Companies' Banquet, which proved to be as notable an event as preceding banquets, and with a record attendance of 720 Trust Company and Bank Officers from all parts of the country. President McCarter presided and addresses were delivered by him, also by Sir Edmund Walker, C.V.O., President of the Canadian Bank of Commerce, Toronto, Canada, and the Honorable Edward C. Stokes, ex-Governor of New Jersey. President McCarter presented in a singularly lucid statement the attitude of the Trust Companies in regard to that provision of the Federal Reserve Act which gives to National Banks fiduciary powers.

The fourth meeting of the committee was held on April 10, 1917. This meeting was called for the consideration of proposed amendments to the Federal Reserve Act, as they pertained to Trust Company operations, as well as to secure action by the Trust Companies relative to aiding the Government in its efforts to mobilize the gold reserves of the nation as discussed at the previous meeting of the committee. After full consideration of this matter, the following preamble and resolution were adopted:

"The Executive Committee of the Trust Company Section of the American Bankers Association, representing Trust Companies in all sections of the United States, being called in special session Tuesday, April 10, 1917, by its Chairman, John W. Platten, to consider the general conditions facing the country at the present time and with a full recognition of its patriotic duty and privilege, has unanimously adopted the following resolutions:

"WHEREAS, The Nation is in a state of war and it is the earnest desire of the Trust Companies of the United States to serve the country in every way in their power, and

"WHEREAS, It is recognized by this committee that one of the most important duties of the Trust Companies is to cooperate in the mobilization of the financial resources of the United States, therefore be it

"Resolved, That this committee urgently recommend to the Trust Companies of the United States that immediate steps be taken to secure amendments, where necessary, to the State laws, in order to permit the Trust Companies to carry their gold reserves on deposit with the Federal Reserve Banks in their several districts, and that as soon as such action can be legally taken, the Trust Companies offer to deposit these reserves with the Federal Reserve Banks."

In addition to the general publicity secured as the result of the Executive Committee's action in this respect, it was reported to the Committee at its fifth meeting, held at Briarcliff Manor, N. Y., on May 7, 1917, that all members had been advised of the action taken by the Committee, and in addition, the President and Secretary of each Trust Company Section in the various States where such organizations existed, had also been advised, and their cooperation solicited in carrying out the purpose of the resolution.

It was reported that in twenty-seven States Trust Companies were permitted to comply with the purpose of the resolution, in fourteen States the companies could not comply, while in the remaining States it was doubtful. In several States where compliance with the resolution was not permitted, an active interest was taken in this matter, through the preparation and passage of bills designed to permit Trust Companies to carry out the purpose of the resolution. In those States where the laws did not permit deposit of gold reserves with the Federal Reserve Banks, it, by the Executive Committee, was

RESOLVED, That the matter of drafting a uniform law for all States, through the passage of which Trust Companies may be enabled to carry their gold reserves with the Federal Reserve Banks of their several districts, be referred to the Committee on Legislation with power.

As a result of your Committee's work along this line, material assistance was extended by the Trust Companies of the country to the Government in its efforts to mobilize the nation's gold reserve. No inconsiderable amount of the metal has already found its way into the vaults of the Federal Reserve Bank of New York by reason of the deposits of several of the Trust Companies and similar action is reported from other districts.

The Committee, at this meeting, deemed it well to give expression to the valuable assistance rendered by the General Secretary and in this connection adopted the following resolution:

Resolved, That this Committee does hereby avail of this opportunity to place on record the expression of its cordial appreciation of the hearty cooperation and helpful assistance extended by Colonel Fred E. Farnsworth, General Secretary of the American Bankers Association, to the officers of the Trust Company Section in the furtherance of its activities, and be it further

Resolved, That the President be and he is hereby instructed to transmit to Colonel Farnsworth a copy of these resolutions.

At the same time, the question of the two billion dollar "Liberty Loan of 1917" was given special consideration, resulting in the adoption of the following preamble and resolutions:

"WHEREAS, the \$2,000,000,000 Liberty Loan of 1917 has been offered for public subscription by the Secretary of the Treasury, and WHEREAS, A prompt and liberal response thereto is not only desirable, but urgently necessary, therefore be it

Resolved, That the Executive Committee of the Trust Company Section of the American Bankers Association, assembled in its annual spring meeting, does hereby pledge to the Honorable William G. McAdoo, Secretary of the Treasury, the assurance of the fullest co-operation on the part of the Trust Companies of the United States to make this loan a complete success, and be it further

Resolved, That the Trust Company Section urges upon its members throughout the United States that they not only liberally subscribe thereto themselves, but request their depositors and clients to do likewise."

These resolutions were telegraphed by your Chairman to the Honorable William G. McAdoo, Secretary of the Treasury, who replied thereto as follows:

"Your telegram seventh instant has just been brought to my attention. Will you kindly convey to the members of Trust Company Section of the American Bankers Association my deep appreciation of the generous and patriotic support they have pledged to the Government in the great financial operations incident to the war for liberty and democracy in which we are engaged. Such assurances of support make the success of the Liberty Loan certain. I shall not hesitate to avail myself to the fullest measure of your co-operation in the great work that lies ahead of us."

The activities of the Special Committee on Legislation received further consideration at this meeting, particularly in connection with the letters sent by that Committee to members of the Section, seeking their cooperation in defraying the Committee's expenses, and in recognition of the valued service performed by this Committee and counsel thereof, appropriate resolutions were adopted.

It is now a well-known fact that the decision rendered by the Supreme Court of the United States on June 11, 1917, in regard to the granting of fiduciary powers to national banks was favorable thereto.

The sixth and last meeting of the Committee was held at this hotel on Monday, September 24th, 1917, at 9:30 A. M., when the reports of the executive and the various sub-committees and Secretary were submitted and approved for presentation to the Section.

In addition to the routine business transacted, consideration was given to the question of communicating to the Federal Reserve Board the views of the Executive Committee in respect to the granting of fiduciary powers to national banks.

Reference has already been made by the President to the hearty support given in furthering the successful flotation of the Liberty Loan of 1917 and the assistance rendered by the Trust Companies of the United States and by the Executive Committee and its officers. Greater commendation could not be accorded to the Secretary than that voiced by Mr. Goebel, the President of the American Bankers Association at the meeting yesterday, and the acceptance of the results of the Secretary's work in this connection, except that here it may not be inappropriate to advise you of the receipt by the Chairman of an official communication from the General Secretary, Colonel Fred E. Farnsworth, in which he warmly commends the efforts of the Secretary as follows:

"You are aware of the extra work placed upon Secretary Mershon in completing the propaganda of the General War Loan Committee of the American Bankers Association. Mr. Mershon undertook the task of compiling report No. 4, received from a large number of banks of the country. He did most excellent work, was faithful to the trust, indefatigable in his services, and conscientious in his desire to make the report as complete as possible. He is entitled to great credit."

"That you may know something of this work I am enclosing herewith a copy of his report to the General Committee. At its session on July 9th the General Committee requested of Mr. Mershon that he continue and complete the final statistics and such reports as may come in this week. This will probably take him into the middle of next week, but this work has been done well and reflects credit on the Trust Company Section, inasmuch as we now have a Secretary who is ready and willing to do his share of the work in these offices; and also that we have officials of the Trust Company Section who are in sympathy with the Association and are willing that the Secretary of the Section shall carry his burden of the exacting duties which fell on our organization during the Liberty Loan campaign."

It will be interesting to record briefly a statement showing the cooperation given by Trust Companies in the flotation of the first Liberty Loan of 1917. The companies having the most conspicuous part in supporting the loan were those located in New England, Eastern and certain Western States. Trust Companies in New York State subscribed to nearly \$320,000,000 of bonds while \$300,000,000 of this amount was from companies in New York City. The Trust Companies of several other States were, however, conspicuous in the totals recorded, these being principally in those centers where Trust Company operations are fully established. The expenses incurred by Trust Companies in advertising the bonds and in soliciting subscriptions, as well as the detail work incident to placing them in the hands of the individual buyers, were rather heavy. This experience, however, was common to all classes of financial institutions. The hope, therefore, is expressed for a solution of this problem in connection with placing subsequent loans. In any event, the loyal

support of the Trust Companies of the United States may be fully counted upon in the future, as in the past, in every effort made by them in the program to democratize the nations of the world.

Throughout the year much time has been devoted to a discussion of the attitude of the Trust Companies in regard to the Federal Reserve System. Of major interest, therefore, to all Trust Companies are the amendments to the Federal Reserve Act, adopted on June 21, 1917. The importance and bearing of these amendments upon the future entry of State institutions into the system are vital and far-reaching. Ample time was afforded yesterday for a discussion of this subject. Of the 76 State institutions which have entered the system, 28 are Trust Companies and represent aggregate resources of \$650,000,000.

The continued growth in the membership of the Section and the deeper interest shown by members are most gratifying. The active membership of the Section at this time is 1,408, being an increase of 110 compared with that of a year ago. At the same time the associate members have increased 56, making a grand total of 1,625 members.

A detailed financial statement for the Section will be rendered by the Secretary. It is worthy of note, however, that of the total amount voted for Trust Company activities for the year, viz.: \$9,809.80, only \$8,643.97 was expended, the balance, \$1,165.83, having been returned to the General Association Treasury.

It is a source of great personal gratification that my recommendation respecting the selection of Mr. L. A. Mershon for the office of Secretary was favorably acted upon by the Executive Committee at Kansas City, and that this choice has resulted in greatly developing the work of the Section. He has made it his constant effort to render service of a constructive character to all members. It may be stated that there was a great deal of work necessary to effect an almost complete reorganization of the Secretary's office, entailing much labor, in order to lay a proper foundation not only for carrying out what was proposed to be accomplished during the year, but for the future as well. Your Chairman, therefore, bespeaks the continued hearty co-operation of all officers and members in behalf of the Secretary and the work of his office.

On the several occasions throughout the year when it has been thought advisable to call together the officers and members of the Executive Committee there has been a most hearty response and deep interest shown. Their readiness to co-operate in a broad and generous service is worthy of the highest commendation. It is therefore fitting that the thanks of your Chairman to these gentlemen be recorded herewith.

You are, of course, well aware that there exists no real clearing house for Trust Company statistics, covering the entire country, such as is afforded by the office of the Comptroller of Currency in the case of National Bank statistics, and therefore in behalf of the Executive Committee it affords me much pleasure at this point to submit for your information, in order that you may gain some idea of the growth of the Trust Companies, some advance figures which have just been compiled in connection with the 1917 edition of the annual publication, "Trust Companies of the United States."

The total resources of the 2,006 Trust Companies reporting as of June 30, 1917, amounted to approximately nine billions of dollars (to be exact, \$8,983,430,413.02) which is an increase of one billion and a quarter of dollars compared with June 30, 1916, or 16 per cent. during the past year.

Total resources of National Banks during the same period ended June 30, 1917, were reported as sixteen billions, being an increase of \$2,073,000,000, or 14 per cent. gain over 1916.

It may be further of interest to indicate the increases shown since June, 1912, five years ago. Trust Company total resources were then \$5,490,000,000 as against \$9,000,000,000 at present, or an increase of 62 per cent. during the past five-year period, while in June, 1912, the National Bank resources were \$10,861,000,000 as against \$16,000,000,000 on June 30, 1917, an increase of 47 per cent. for the five-year period.

This comparison becomes the more impressive when it is borne in mind that the National banks numerically exceed the Trust Companies of the country in the proportion of more than three to one, and right here,

In conclusion, permit me to refer to the present economic dislocation as a result of the world war. Unprecedented conditions have arisen, producing grave responsibilities. Tests of individual and corporate strength are now being made as never before. The word, "Trust" in the corporate titles of our several companies, and the business coming into our hands as a result of that trust, should be protected to the utmost, in order that the enviable record of conservation may continue unimpaired.

JOHN W. PLATTEN, Chairman.

Report of Special Committee on Federal Reserve Act

Your Special Committee on Federal Reserve Act was appointed at a meeting of the Executive Committee held on December 5, 1916, for the purpose of making an analytical study of the Act, with a view to ascertaining objections by Trust Companies to entering the System, and recommending amendments desired to the Act.

Subsequent to the appointment of this Committee the Chairman of your Executive Committee addressed a letter to all members of the Section requesting that they express their views upon the subject in writing to the Chairman of the newly created Committee. As a result of this appeal a number of communications were received in which many different views were expressed.

Not one letter was received unqualifyingly commending the Act, although it was clearly apparent that willingness existed to consider membership in the System, providing certain changes were made in the law.

Following the receipt of these letters your Committee held a meeting in New York City on January 11, 1917. At this meeting all phases of the subject were fully discussed. Later your Chairman was in communication with the authorities at Washington, and through which correspondence the views of the Committee were expressed. Without presenting in detail the subject matter of this correspondence, it may be stated that some very important amendments have since been enacted into law. The Clayton Act, Sec. 8, which was one of the deterring factors considered by your Committee has taken a most unlooked for turn concerning the interlocking directorates. The Act does not apply to Directorates of Trust Companies, and the Federal Reserve

Board will shortly issue rules in accordance with the Attorney General's decision.

Therefore your Committee has in mind no further specific amendments to suggest at this time, but believes the entire question is one to be decided by each separate company, depending upon the laws of the State under which said company operates, its charter rights, character of business and need for the privileges offered by affiliation with the new System. All of which is respectfully submitted.

JOHN H. MASON,
Chairman.

Report of Special Committee on Legislation, by Uzal H. McCarter, Chairman

The work of the Committee during the past year has been one of considerable activity in that the purpose of its organization, namely, the test of constitutionality of Section 11, paragraph k of the Federal Reserve Act has been completed. The well-known decision of the Supreme Court of the United States was rendered on June 11th, of this year, in which that portion of the Act was sustained, granting fiduciary powers to National Banks. It is the hope, however, of your Committee that in granting these powers to financial institutions operating under Federal charter that the Federal Reserve Board will exact those requirements which have been strong factors in enabling our several companies to properly protect and conserve the trusts coming into their care.

The case was argued before the Supreme Court of the United States by the Honorable John G. Johnson of Philadelphia, and the Honorable Henry M. Campbell of Detroit. Every effort has been made by the Special Committee on Legislation to have the case properly presented, and, regardless of the result, your Committee feels that it has done its best and left nothing undone to advance the interest for which it was acting.

The Committee begs to express its great sorrow that within two or three days after arguing this case before the Supreme Court of the United States, that greatest of American lawyers, the Honorable John G. Johnson, died in Philadelphia, and while the Committee is most grateful that his life was spared to permit him to render such valuable service to the trust companies of the country, in connection with all other of his clients, it greatly deprecates his death and the loss to our country of his great ability.

The Committee further desires to record its high appreciation of the valuable service rendered to the trust companies by the untiring efforts and great ability of the Honorable Henry M. Campbell of Detroit. It acknowledges with pleasure the action of the Executive Committee at its meeting on May 7th in the passage of a suitable resolution in recognition of his untiring zeal and energy and in behalf of the trust companies of the country.

To meet the expenses of the litigation the trust companies of the country were circularized to the effect that an assessment had been levied by the Committee of one one-hundredth of one per cent. upon their capital surplus, and request made that a check for such amount be sent by each institution to the Chairman of the Committee. 2,200 institutions were thus notified, to which notices the Committee received 876 replies, of which 582 institutions forwarded checks and 294 institutions declined so to do. Out of the total number of notices sent, 1,324 failed to respond at all.

A financial statement is submitted herewith:

RECEIPTS	
Amount of subscriptions received.....	\$41,316.01
Amount of interest on deposit.....	207.75
Total receipts	\$41,523.76
EXPENDITURES	
Counsel fees	\$32,500.00
Printing and stationery	310.40
Telegrams and incidentals	21.84
Additional clerical help in forwarding circulars and fees to typewriters and bookkeepers	304.50
Present balance in bank	8,387.02
	\$41,523.76

Of the balance now in bank it is estimated that it will cost approximately \$387.02 to return to the several subscribing companies, the excess of balance described. This will leave in round figures \$8,000, which is 19.26 per cent. of total subscriptions, thus enabling a rebate at this rate to each subscribing company. This will be done at an early date.

In addition to the work of the Committee in conducting the test above referred to, your Committee assisted trust companies in several States in their legislative difficulties, notably in the States of Washington and New Hampshire. In the State of Washington the Legislature was largely composed of lawyers who conceived the idea of removing entirely from trust companies the right to transact a fiduciary business. An astonishingly bitter fight developed which, fortunately, after great effort was won by the trust companies of the State. In New Hampshire a determined effort was made to grant national banks fiduciary powers, which finally, after much labor, was defeated.

As the special task for which this Committee was created is now at an end, the Committee begs an approval of this report, in order that its activities may terminate.

Respectfully submitted

UZAL H. MCCARTER.

Report of the Committee on Protective Laws

During the past year, the efforts of our various State Legislatures have almost equaled in activity the operation of the War Department of that portion of the civilized world which is now in armed conflict. Counting special sessions, we have had almost as many State Legislative meetings as there are members in our national union. Broadly speaking, however, the proposed enactments affecting Trust Companies were rather more conservatively phrased than in the recent past.

The State of Iowa established a separate department to control its banks and trust companies, placing them under the control of a superintendent of banking.

Ohio made it legal for Trust Companies to invest their funds in Federal Farm Loan Bonds.

The administration of Trust Companies in Arkansas, Florida, North Dakota, Oregon, South Dakota, Washington and Wyoming were restricted and safeguarded by additional legislation.

Indiana passed an act requiring Companies receiving commercial deposits, payable on demand, to maintain an adequate cash reserve.

Rhode Island empowered Trust Companies to hold property in trust for the care and preservation of certain burial grounds.

A number of States made it lawful for national banks to act as executor, trustee, etc., when authorized by laws of the United States, and others passed acts permitting the ownership of stock in corporations by Trust Companies, this in order to enable them to join the Federal Reserve System.

At the Kansas City meeting, it was suggested that our Trust Company officials should give some consideration to the establishment of branches in foreign countries. The present tendency seems to be for a number of institutions to cooperate in the placing of these foreign agencies, and it is confidently believed these organizations will contribute to the extension of the trade and prestige of the United States.

Respectfully submitted,

E. D. HULBERT,
W. T. KEMPER,
ISAAC H. ORR,
THEODORE G. SMITH,
LYNN H. DINKINS,
Chairman.

Report of Special Committee on Publicity

The Special Committee on Publicity was created at the meeting of the Executive Committee held in New York City on December 5, 1916. The motion being duly made, seconded and carried, as follows:

Resolved, That a special committee consisting of two members to work in conjunction with the officers of the Section be created to investigate the practicability of a national publicity campaign, or several local campaigns, to promote fiduciary and other Trust Company services, and that said committee shall in its recommendations include a plan of operation.

Under date of December 28, 1916, the Chairman of the Executive Committee addressed a communication to all members of the Section, advising them of the appointment of this committee, and requesting them to address the Chairman of the committee, expressing fully, for the guidance of the committee, their views upon the subject matter of the resolution.

A number of communications were received and they contained suggestions somewhat as follows:

"Our opinion is that powers and functions of Trust Companies differ so widely under the laws of the different States that a national campaign would not be practicable. It might be possible to form a plan for publicity with respect to fiduciary services, but our judgment is that this can be accomplished just as well by local campaign."

"Other Trust Company services are of so varied a character and largely banking in their nature, it would seem impracticable under the various State laws to organize a national campaign to cover them."

"We believe the most effective method to promote fiduciary service is through special and individual work. Profitable business of this character is found among comparatively few in each company, and can be covered by personal work rather than general publicity."

"Do not believe a campaign of this kind can be conducted by co-operation with other Trust Companies."

A member from California stated that they devour any literature on the subject of advertising their company, and they trust that the findings of the committee may be worked up in some concrete form so that a pamphlet may be prepared for distribution to all members.

Another member from Massachusetts wrote that they are in favor of publicity for Trust Companies, and look upon the matter as one to be undertaken by the Section. They believe a national campaign would do the Trust Companies a great deal of good and be of value to the public, now ignorant of the advantages of fiduciary services of these companies.

A member in the South said that they doubted the practicability of a national campaign or a co-operative local campaign to promote fiduciary or other Trust Company services. They believe that there is a distinct individuality in Trust Companies, and that they would not, for instance, care to join in the issuance of an advertisement in their own city which would include their competitors on equal terms. They also believe that they are better qualified for trust service than their competitors, and that the number of people with accumulated property, comfortable incomes, or those able to carry substantial life insurance, are limited in number and may be easily ascertained. They feel that a Trust Company should make up a mailing list composed of people with property and comfortable incomes and appeal directly to them, thereby avoiding a large waste in effort.

The apparent difference of opinion is, however, more apparent than real, for the members are unanimous in voicing their desires for greater activity in securing the nomination of Trust Companies to act in trust capacities. A carefully prepared plan of national local publicity would, therefore, no doubt receive the approval of a large proportion of the membership, if introduced during normal times.

Shortly after the appointment of this committee diplomatic relations were severed and war was declared with Germany. It therefore became increasingly apparent that the conditions leading up to and following these events would render inopportune any attempt to suggest for execution a comprehensive plan for national publicity to be given fiduciary and other Trust Company services. The problems to be confronted in a publicity campaign, national in scope, are difficult of solution in time of peace. In time of war they are almost impossible of satisfactory solution.

Among the questions to be answered are those of apportionment of expenses and how raised; writing and selection of copy; selection of mediums; circulation and clientele of mediums selected; preparation of Trust Companies qualified and equipped to execute trusts, to take advantage of the new sentiment created in their favor. In addition to these few points are those detailed items so familiar to all publicity men, but uninteresting for recital here.

Out of 2,000 wills becoming operative in New York County in 1915, only about 40 estates represented were placed in the hands of Trust

Companies. Court records and other centers, large and small, would no doubt reveal as startling a condition. This is sufficient reason to reflect upon the necessity for Trust Companies, even in our largest cities, to become more active in spreading the knowledge of Trust Company equipment and service.

In the belief, therefore, that every possible advantage should be taken by the Section to assist its members in extending their lines of usefulness, even during these days of political, social and economic upheaval, your committee desires to suggest to your consideration and adoption the following:

1. Furnish at cost to all members, for their individual use, comprehensive advertising campaigns, using tested advertisements, form letters and booklets to be contributed by member companies.

2. Furnish at cost to members and communities, as desired, tested material for use in the conduct of a local publicity campaign.

The Section has already a quantity of such matter on hand, and has assurances from a number of companies that they will cooperate in furthering such plans.

Respectfully submitted,

JAMES M. PRATT.

Report of the Secretary

Believing that a detailed recital of all work done by the Secretary's office during the past year would exact an unwarranted claim upon your time, it has been the endeavor of your Secretary to prepare a report, the presentation of which would consume but a very small space thereof.

Upon returning to New York from the Kansas City Convention the regular and special work of the Section office was entered upon, comprising during the year the following:

Various Secretarial duties in connection with the notices and minutes of the meetings of the Executive Committee and its sub-committees. Preparation, editing and approval of copy for the Annual Proceedings. Preparation of copy each month for the Journal of the Association. A great number of inquiries upon all phases of trust company and safe deposit operations, many of which required much special investigation and research were answered through interviews and extended correspondence. In this connection the Secretary's office was visited on a number of occasions by representatives of foreign governments, such as those of Norway, Japan and China, where trust companies are to be established along modern lines. Just prior to the preparation of this report application for membership was received from the China Trust Company, Shanghai, China. Members availed of the Secretary's office to discuss the outlines of a plan to educate and stimulate the interest of employees, with a view to eliciting their intelligent and hearty cooperation in furthering the expansion of their several institutions. A steady increase is noted in this form of service. Due to the activities of the Executive Committee and the various sub-committees, several communications were sent to all members and compilations prepared in connection with replies thereto.

Much information pertaining to various phases of trust company work has been gathered during the year and systematically filed for ready reference. Much, however, yet remains to be done.

Your Secretary has attended frequent conferences and meetings of bank and trust company officials throughout the year, as well as conventions of State Bankers Associations.

At the periodic office conference, inaugurated by President Goebel, he has also represented the section and has served upon the General War Loan Committee of the Association. Membership on this latter Committee involved attendance at almost daily meetings from May 10 to June 15, and at frequent intervals thereafter throughout nearly the entire summer months. Your Secretary was charged with the duty of preparing and forwarding to over 30,000 banks and trust companies a series of questions bearing upon the Liberty Loan Campaign, and assembling data received therefrom. The results of this effort may be witnessed in the Liberty Loan chart now on exhibition, as well as fifty-five separate compilations covering nearly 1,500 pages of typewritten matter. Over 8,000 reports were personally examined and passed upon in order to reach the conclusions embodied therein. Over 2,000 special letters of commendation were addressed to financial institutions whose reports revealed signal success in selling the bonds. Many gratifying responses were received as a result of these letters.

In the March issue of the Journal your Secretary outlined a new "Book of Forms and Service" which was subsequently adopted for the use of the Association and several Sections thereof. The activities incident to the war, have, however, precluded the possibility of furthering the work until after this convention and possibly until after the next Liberty Loan.

Throughout the twelve months just closed the work of the Section has been developed and its possibilities carefully unfolded and followed up. It has been the constant aim to install the most effective systems and methods in order that the greatest amount of service could be rendered to all members with accuracy and despatch.

The membership of the Section as reported by your Chairman has shown a very gratifying increase. This was stimulated on several occasions throughout the year by special communications addressed to non-members, setting forth the benefits of membership and cooperation. The financial statement is appended herewith and will be submitted after the reading of this report.

In conclusion permit me to inject a few words of a more personal nature, which I trust you will not consider inappropriate.

It might well be construed as indicating the lack of a fitting sense of appreciation on my part did I fail here to place on record an expression of the recognition of my indebtedness to the Chairman of the Executive Committee, Mr. John W. Platten. It was he who placed my name before your Executive Committee a year ago, and throughout the twelve months just closed has given most generously of his time and advice upon a large number of subjects, about which it was my privilege to consult him. It has been my constant endeavor to render service of such a character as shall permanently commend to you his judgment in my selection.

It is also with pleasure that acknowledgment is hereby made of my thanks to President McCarter for his unvarying courtesy in relation to the general work of the Section, but more especially in connection with his valued guidance concerning the many details incident to the Seventh Annual Trust Companies banquet, and the preparation of the program for this Convention, about which it was necessary to consult him at frequent intervals.

I also bear willing testimony to the helpful assistance and undeviating courtesy accorded by Vice-President Blair in connection with all matters about which I had the opportunity of conferring with him.

Without exception every member of the Executive Committee and all sub-committees has shown the greatest consideration in connection with all matters pertaining to the work of the Section. Acknowledgment is also made of the helpful assistance given by the Officers and Department Heads of the Association, as well as the General Secretary and Secretaries of the various Sections. Co-ordination of effort and harmony of action have been my aim throughout the year.

An earnest realization of the possibilities of the Section work challenges at all times the best endeavors of your Secretary, whose constant purpose may be summarized by the ideal co-operation and service.

Respectfully submitted,

LEROY A. MERSHON, Secretary.

Treasurer's Report—Financial Statement

Sept. 1, 1916, to August 31, 1917, inclusive.

CREDITS.

Sept. 30, 1916, appropriation by Executive Council.....	\$8,500.00
May 9, 1917, appropriation by Executive Council.....	1,250.00
Received from sale Book of Forms.....	49.00
Received from sale Trust Company Laws.....	6.80
Received for 8c postage.....	4.00
	<hr/>
	\$9,809.80

DISBURSEMENTS.

Salaries.....	\$4,600.65
Executive Committee meetings.....	1,030.70
Book of Proceedings, 1916.....	983.04
Rent.....	605.04
Postage, stationery and printing.....	585.72
Convention expenses.....	320.79
Extra office help.....	155.70
Gold token retiring president.....	125.00
Telephone and telegrams.....	63.20
Books and binding.....	49.30
Traveling expenses.....	67.98
Cards, plates and frames for addressograph.....	35.48
Gavel.....	15.50
Express charges.....	5.87
	<hr/>
Credit balance.....	\$1,165.83

Detailed Report of Proceedings

Twenty-second Annual Meeting TRUST COMPANY SECTION, Held at Atlantic City, Sept. 25 and 26, 1917

FIRST SESSION

Tuesday, September 25, 1917, 2 o'clock p. m.

The President, Uzal H. McCarter, President of the Fidelity Trust Company, Newark, N. J., called the meeting to order shortly after 2 p. m.

PRESIDENT McCARTER: The twenty-second annual meeting of the Trust Company Section of the American Bankers Association will now be in order.

The invocation will be pronounced by the Reverend Dr. Henry Merle Mellen, D.D., Pastor, First Presbyterian Church, Atlantic City, N. J. PRESIDENT McCARTER: We now will listen to the address of welcome by Mr. William Chambers.

Address of Welcome by William Chambers, President Vineland (N. J.) Trust Co., and President New Jersey Bankers Association

Mr. President and Gentlemen, I consider it a great honor to be invited to say a word of welcome to you this afternoon. On behalf of the New Jersey Bankers Association, I wish to extend to you the most hearty greetings, and felicitations. On behalf of the State of New Jersey I wish to welcome you to our borders, and on behalf of the people of Atlantic City, I am especially desirous to bid you welcome, a hearty, warm welcome from the heart.

We feel honored with your presence. We are glad to see you again, and we sincerely trust that you are glad that you are here, and that this feeling may grow and continue as the convention progresses.

We are meeting in serious times. This is a war convention, the first war convention that I have ever attended, which is probably true with regard to most of those here. This is the world's stupendous hour. This is the crisis of the human race; and I feel that this meeting, and all of these meetings of these great sections of the American Bankers Association, can be likened to a great financial army, teaming with important topics.

I congratulate you, gentlemen, upon the subjects which you have determined to consider this afternoon. It shows the wisdom and the good guidance of your able president in selecting these topics which are so important.

As I have said this is an important time, and in these matters which are pending before us, the Bankers Association must play an important part.

A great many years ago, a certain Jersey man, a commodore made a reply to the Barbary pirates, when told that compensation would have to be given to release our ships and our commerce from their depredations, "Millions for defence, but not one cent for tribute," and I believe that the answer for the bankers today to the challenge which has been thrown to civilization is "Not millions, but billions for defence, and not one cent for tribute." That was long ago when our Jersey commodore made that remark. They talked in their hundreds of thousands and millions but we are talking in billions, and who can tell how many billions it will be, how much effort will have to be put forth by us in this work; and I want to congratulate you, gentlemen, and the whole association, and each individual branch, each section thereof, on the magnificent work which has been done by you, all, including the first Liberty Loan.

You have come here from institutions whose forces have been deeply hit by enlistments and by conscription. You no doubt have made sacrifices, many of you; and I sincerely trust that as you consider these important matters this afternoon, that you will feel encouraged and stronger to go back to your homes and meet the difficulties and the problems which will face you during the coming year, possibly during the successive year, and who can say, for how many years.

Gentlemen, while this is a serious time, while it happens to be this stupendous hour in this whole world of ours, there is another feature to this convention which we invite you not to overlook. Atlantic City has been called the playground of the world, and in reality it is; and while you are considering these matters, do not neglect the social part, and the playground feature. Intersperse the serious things with the pleasures which Atlantic City can offer you; and I sincerely trust that after the deliberations of the day, as you retire to your hotels and places of abode, that the ceaseless rhythm of this surf may lull you to refreshing sleep, and that, as you return to your homes, you may go refreshed and strengthened in body and mind.

Reply and Annual Address of President Uzal H. McCarter

PRESIDENT McCARTER: Mr. Chambers, the delegates present highly appreciate the words of greeting which you bring from the New Jersey Bankers Association, the bankers of the State, and the local committee having charge of our entertainment. When the place for the holding of the convention of 1917 was before the Executive Council of the American Bankers Association, there was no invitation on the part of that Council as to the many attractions which this beautiful city affords, or as to the ability on the part of the hotel management to amply provide for the needs—yes, the entertainment of the great number of people who would be here, and I am pleased to be able to report, Mr. Chambers, that up to the present time, the far-famed reputation which your hotels have, and the far-famed entertainments which this place affords, have met all the demands which have been placed upon it by the members who are here.

It is a matter of especial pleasure to me, that it happens to be my duty to preside at the Convention held this year, for I am in my

native state, and as such I, too, claim the right to welcome you, my friends, to the shores of New Jersey. Ten years ago today, or more properly speaking, yesterday, it was my privilege to welcome the American bankers at Atlantic City, and the words that I then used are equally applicable today, and we from New Jersey do extend to you a hearty welcome; and Mr. Chambers, we thank you for your kindly expression of welcome, and we beg to assure you that we will give serious consideration to the important part of our program to which you refer. We thank you, Mr. Chambers.

The next business in order will be the reading of the President's Annual Address and before proceeding with that, I desire to express my great appreciation of the rather large sprinkling in the attendance of the ladies, and to express the wish of the Executive Committee and of the members at large, that you will attend all the meetings of our section, and that you will, as far as possible, bring other ladies of the convention with you, who are not now here. We welcome you with us. We think you will be of assistance to us, and it won't do you any harm (laughter).

ADDRESS OF PRESIDENT

The entrance of the United States into the world-wide maelstrom of war and the consequent uncertainties which have arisen in the financial as well as the physical life of the country, have duly impressed themselves upon the banking fraternity of the country to the end that the bankers find themselves without a chart or compass with which to guide their several institutions or any trustworthy standard or precedent upon which they may rely to assist them in their daily business management, with the result that generally speaking they have adopted a "hand to mouth" policy, and the endeavor has been and continues to be to meet in the best possible manner the conditions which may each day present themselves.

The great ease of money during the crisis of the current year has been of incalculable comfort to the bankers and has largely tended to allay any apprehensions which our naturally anxious customers might have otherwise experienced, added to which has been and still exists the confidence of the public in the operations of the newly created Federal Reserve Act and the provisions therein contained, through which an almost unlimited increase of credit can be obtained by member institutions, so as to permit them to meet any emergency which may arise.

While, therefore, the year has been one of anxiety on the part of the banker and the uncertainties of the hour have largely caused a curtailment, if indeed not an entire abandonment of his usual summer holiday, the year has thus far passed by without any untoward financial happenings and the situation seems to be well in hand.

Much of interest to trust companies has transpired during the year, the most far-reaching of which was undoubtedly the decision rendered by the Supreme Court of the United States in connection with the test of the constitutionality of that part of the Federal Reserve Act by which Congress sought to convey fiduciary powers upon member National Banks, which test was conducted by a committee representing the trust companies of the country. The contention of the trust companies was ably argued before the Court by eminent Counsel, whose arguments carried weight and conviction everywhere except with the Court, whom it was hoped would be impressed thereby, with the result that the Court by a divided vote sustained the constitutionality of the act and as such it is and must be accepted by us all as the law of the land. The contest being raised by reason of the doubt which had arisen in some of the best minds in the country it was deemed to be only the act of prudence to have that doubt finally and definitely determined before a great injury could be done to corporate trust management. The question having been thus finally settled all opposition on the part of the trust companies to their sister institutions performing this most sensitive class of business has disappeared, though they trust and hope that the regulations of the Federal Reserve Board, under which the National Banks will act, will be of an equally conservative and stringent character as pervades the laws of the older and more conservative States of the East, where the great bulk of trust business is performed by trust companies.

During the year an entirely unparalleled financial feat has been accomplished in the successful flotation of the first instalment of the Liberty Loan, in which the trust companies of the country played a conspicuous and important part, and co-operated with the governmental agency having the loan in charge to the fullest possible extent, and it was only by reason of such cooperation on the part of the financial institutions of the country and their patriotic and unselfish efforts to make the loan successful that such remarkable results were accomplished, as at the time of the offering of the loan the American public had not fully realized that this country was at war and that its life and honor were at stake.

The attitude of the Trust Companies of the country, as well as that of all other institutions, was one of highest patriotism. The selling of bonds was made the business of the hour and from president to office boy the various organizations throughout the country were animated with only one impulse—to make the loan successful and without expense to the Government, though very recently the several Liberty Loan Committees have been reimbursed for the actual disbursements incurred, which, however, relatively speaking were very slight, due to the cooperation with the financial institutions of the public press and other media of advertising.

Statistics of unquestioned veracity and accuracy indicate that the apathy of the people to the war and its necessities was particularly prevalent throughout the middle West, where the least interest in the success of the loan was manifested. The efforts and cooperation on

the part of the Trust Companies to make the loan successful were not less than the Government agencies and the business of selling the Liberty Loan became the business of the country and all other duties were sidetracked during that period.

Full justice would not be meted out if the great appreciation of the Trust Companies was not only cordially but thankfully expressed to the several Federal Reserve Banks for their cooperative spirit in the management of the details of the loan. This spirit of cooperation so generously displayed by the Federal Reserve Banks throughout the country will undoubtedly do more with non-member institutions, to popularize the system, than could possibly have been done by any other means.

The Trust Company Section, or its Executive Committee, has never taken any definite position in reference to the Federal Reserve System. Through one of its sub-committees it has endeavored to obtain certain amendments which it believed would be beneficial to any institution desiring to join the system, and in some particulars it was successful while in others it failed.

The Section, through its Executive Committee, has constantly taken the position that the final determination as to whether trust companies should join the system was a matter of individual decision, depending upon the character of business being transacted by each company, and that it was not a question to be generally or broadly settled. It has shown a cooperative spirit with the System in that it has recommended to its members that, where the law permitted the act, they should immediately deposit with the Federal Reserve Bank of the district the gold reserve now held by each trust company and to receive in exchange therefor Federal Reserve notes to be held as reserve in lieu of gold. It further recommended to its members that where such action was not presently legal that the necessary legislation be obtained as quickly as possible. Several Trust Companies throughout the country have entered the system and several important ones have the matter under advisement, with the probability of early entering the system through patriotic impulse.

To such institutions as have already joined, as well as to these having the matter under consideration, the Section offers them, one and all, its best wishes and begs to express the hope that the result of their several conclusions will prove fully satisfactory to the future of their business, and to those who finally enter the system we trust that the results obtained thereby will justify the act.

As regards the future, the trust companies of the country reconsecrate themselves to the service of the Government, and pledge their every effort to assist it in any manner in which they may be of service.

They view the legislation now under consideration by the Congress, however, with some hesitancy and even alarm, with particular reference to the attempt to fix prices and increase taxation, for while undoubtedly some such legislation is necessary during the critical periods like the present, nevertheless when carried to the extent now proposed it tends to destroy the incentive to production, which in turn affects business and not for its good, and whatever tends to put the brakes upon business cannot help but at the same time have a deterrent effect upon the banking business of the country.

It, therefore, behooves the present day banker to so manage his institution as to be ready and able to meet changing conditions, for the solving of which, as before said, there is no established precedent. He should be prudent and conservative, but in so acting he should continue and furnish credit where credit is needed and where it is deserved. Conservatism does not mean the complete shutting down on business. On the contrary no greater evil could befall the country than that the banker should ruthlessly withdraw all credit and cause a suspension of business. He should endeavor, however, to keep their business well in hand and to advance cautiously, and above all things to prepare for a great foreign invasion of business after the close of the war. It is essential, due to the existing war conditions, that the nation should become a nation of thrift and saving, and no more important duty devolves upon the banker at the present time than that he should preach the gospel of thrift to his customers, and the public generally, as only through a widespread adoption and practice of thrift by the people, to a degree hitherto unknown to the American people, can the Government meet the vast financial necessities, caused by the war.

During the continuance of the war, therefore, it would seem as though the American banker would have ample opportunity to employ his best talents in assisting the Government in the handling of its many problems, as well as those which arise in his own business, and it, therefore, behooves all of us to keep our several institutions under firm control, to the end that come what may the bankers will be prepared and fully equipped to do their part.

PRESIDENT McCARTER: If there is no objection, the President's Report will take the usual course, and be received and filed. Will the delegates sitting in the back of the room kindly come forward, as the acoustics are very bad here, and it is almost impossible to make ourselves heard far in the rear of the room. While the seats are being changed, we will distribute a few blanks, for which we ask your attention.

In the preparation of the program for the day's meeting, an effort was made by the management to obtain from the membership their ideas as to what would make an attractive and instructive program for this meeting. With that end in view, the Secretary communicated with all the members of the Association, and the preponderance for a full discussion of the relationship of trust companies to the Federal Reserve Act was of such a character as to leave no doubt in the minds of the management as to the desirability of a discussion on that subject. This affects, gentlemen, the very fundamentals of our business, and it has been my belief that we are here, not so much to hear great speeches, as to learn something about our business, and thus make the section of value to the members. With that in view, we have adopted for the discussion today that which is uppermost in the mind of every trust company man in the country—the relationship of these companies, or the trust companies at large, to the Federal Reserve System. We have arranged as a leading element in the discussion papers showing the advantages, and another one showing if possible the disadvantages of trust companies entering the system. That is merely a prelude, however, to what we hope will end in a full, free discussion by the membership as to the papers that are read; and the papers that have been distributed in your keeping will permit you

to take a memorandum, if you choose, of the arguments that each advance, in order that you may take them home with you, for such use in your own particular companies as you may care to make thereof.

The Association begs to express its great appreciation to its founder, Mr. Breckinridge Jones, who has left the serious sick-bed of a member of his family to come here and participate in this discussion. We particularly welcome Mr. Jones today, for he is, as you know, the founder of the trust company section, and we feel deeply grateful to him that, instead of declining at the last moment to lead the discussion, he has left a sick child and kept his obligation, and I have much pleasure in again presenting to you—I do not have to introduce him to you—you all know Mr. Breckinridge Jones, President of the Mississippi Valley Trust Company, who will speak in favor of the trust companies entering the system, his company having done so.

The Relation of Trust Companies to the Federal Reserve System, by Breckinridge Jones

[Mr. Jones' address will be found on pages 175 to 178 of this publication.]

PRESIDENT McCARTER: The seventh inning having arrived, we will all stand and greet the president of the American Bankers Association, Mr. Goebel. We will now sit down and see him hit the bull.

P. W. GOEBEL, President American Bankers Association:

Mr. Chairman, Ladies and Gentlemen: I believe the proper thing to say is that I am delighted to be with you. But I can say honestly and truthfully much more than that. I am grateful to have been able to be here and listen to the able address of my friend Mr. Jones. It certainly is worth coming to Atlantic City to hear it. I am not here to make a speech, but I do want to say a few words about the Trust Company Section—the rejuvenated Trust Company Section. It has made remarkable progress in the last year, and I am certainly under many obligations for the fine spirit of cooperation, for their officers and employes have shown that to me as President of the American Bankers Association.

Their work in placing the first Liberty Loan was magnificent, and this was more effectual perhaps than any other section, because they for the last fifteen years were probably the only class of banks that gave particular attention to making investments for the people, and who got their customers to making investments, and who relied upon their judgment as to what investment to take. If the country is going to continue to be supreme in finances, and financial ability, in the world, we need to become savers and investors, and the trust companies have laid the foundation for the teaching of the people to make sound investments.

I am especially grateful to your efficient Secretary, because I requested him to make a chart, showing at a glance the troubles and trials and tribulations that some eighty-five hundred banks had in helping to place the Liberty Loan. The American Bankers Association sent out a questionnaire immediately at the close of that campaign and we got some eighty-five hundred responses, and Mr. Mershon, by hard and diligent work, working many times until midnight, and working every Sunday I think, made up the answers in that chart, which is I think one of the greatest compendiums of the experience of the bankers in placing any loan that has ever been compiled. I only want to say to you, "Go on with your good work. If you make as much progress in the next five years as you have made in the last year, you will be the premier section of the American Bankers Association."

MR. BRECKINRIDGE JONES: Mr. Chairman, as this is the great question that is before us, I referred in my remarks to a letter I had received from Mr. Pierre Jay, and it is so good that I think you gentlemen are entitled to hear it and I would like to read that as a final presentation of my side of the case. I would like to state to you that I received a great deal of assistance and suggestions of points in the paper I have read, because I wrote a great many letters to different people asking their views, and received many interesting letters in reply, but this one from Mr. Jay, which I received only yesterday, I think ought to be read. Mr. Jay, as you know, was formerly a Chairman of the Executive Committee, and I think even President of this Section at one time, and this letter comes from his sick-bed out on a launch in the West somewhere.

[Mr. Jay's letter is given at the end of Mr. Jones' address on page 178 of this publication.]

PRESIDENT McCARTER: I am sure we are all very much indebted to Mr. Jones for his very able paper. Mr. Pierre Jay has many qualifications to entitle him to commendation and consideration, but he won't claim that he was ever chairman of the Executive Committee of the Trust Company Section. There is no telling what would have happened to him if he had been that.

MR. BRECKINRIDGE JONES: He ought to have been.

PRESIDENT McCARTER: We will now have the great pleasure of listening to a paper by Mr. Frank W. Blair, the President of the Union Trust Company, Detroit, Michigan, and whose company was very active in the contest which has been referred to throughout the meeting. I take much pleasure, therefore, in presenting to you Mr. Blair.

MR. PRESIDENT, LADIES AND GENTLEMEN: Because of the official position I occupy in this Section, and in order that no person may get a false impression regarding the position of any member of the Executive Committee, I want to make it plain before I start to read this paper that what is contained therein, is a reflection of my own individual views and that no member of the Executive Committee has had any part in its preparation, and that only two or three members even know of the subject. I feel I ought to make that announcement in justice to the members.

The Relation of Trust Companies to the Federal Reserve System, by Frank W. Blair

[Mr. Blair's paper appears on pages 173 to 175.]

PRESIDENT McCARTER: Mr. Blair, we are greatly indebted to you for your contribution to this discussion. In order that the members might

receive the fullest possible information on both sides of the question, we have invited and have with us the counsel of the Federal Reserve Bank of New York, Mr. J. F. Curtis, who I now present to you, and who will make a short statement of the New York Second District Federal Reserve Bank's view of the situation, after which the discussion of the whole subject will be thrown open to the members, and I hope will be freely indulged in and any questions that any member wishes to ask Mr. Curtis, or someone, they will take great pleasure in answering. I have much pleasure in presenting Mr. Curtis, counsel of the Federal Reserve Bank, Second District.

REMARKS OF J. F. CURTIS.

MR. J. F. CURTIS, of the Federal Reserve Bank, Second District: Mr. Chairman and Gentlemen of the Section.—I esteem it a great privilege to come here and be allowed to address you in behalf of the Federal Reserve Bank of New York. I speak for that bank and not for the Federal Reserve Board in any way. Before making the remarks I had in mind, I would like to comment, if I might, briefly upon the remarks of Mr. Jones, and of Mr. Blair. Naturally, Mr. Jones' remarks appealed to me. There was one point on which he left you in doubt, and that was as to whether the Board would authorize under Section 22 of the Federal Reserve Act, loans to officers and attorneys, by general resolution. They have done that so that now under Section 22 loans may be made to officers and attorneys by general resolution, provided they are subsequently reported and ratified at a later meeting.

MR. BRECKINRIDGE JONES: I beg your pardon,—not to officers.

J. F. CURTIS: I thought that would cover that too.

MR. JONES: They can allow interest on balances to officers, directors, employes and attorneys, but they can make loans only to directors and attorneys. They cannot make loans to officers.

J. F. CURTIS: You are correct, sir. Excuse me. I used the word officers in the wrong place. One other point in Mr. Jones' remarks he did not quite bring out clearly, that the six per cent. dividend is cumulative, and that fact is perhaps one, while not very important, which has some relation to the topic.

With respect to Mr. Blair's remarks, I would like to offer one or two comments, if I might. He said that the gold reserve deposited with the Federal Reserve Bank under the new amendment, the so-called Clearing and Collection Amendment, would be as effective as if they joined the system. I cannot agree with that. Of course it brings the gold into the Federal Reserve System, but it still leaves the trust company outside the system, and not entitled to re-discount its commercial paper, or to obtain loans based on United States Government obligations, the way they would be entitled to if they joined the System; and therefore it leaves the trust company in a position, where it is still in my judgment a weak spot, rather than a strong spot in the whole national situation.

One other word. Mr. Blair suggested that under the new amendment non-member Banks were entitled to receive Government deposits, like member banks. That is not quite an accurate statement. They are entitled to receive Government deposits on those funds raised by the Liberty Loan issues, or other bond issues; but they are not entitled to receive Government deposits of the general funds. That is limited still to the member banks.

Now, as to the question of uniformity of rules for operating the trust functions of member banks; so far as I am aware, and think I know the views of the Board on this subject, they never have contemplated attempting to issue uniform rules to cover the operation of trust companies that are members of the system with respect to their trust company functions. They have not issued any rules on that subject. They have issued rules under Section 11-K which provides for the issuance of rules to national banks that exercise fiduciary functions, when not incompatible with state laws of the State of their incorporation.

He also suggested which opinion should govern. With respect to the application of the Clayton Act to State members—that of the counsel of the Federal Reserve Board or that of the Attorney-General—I can answer that question. The Board has already stated—I do not know that it has been published, but I have a letter from them to this effect—that the Board will be governed by the case of the Attorney-General, and will alter their regulations accordingly in due season; so that on those points I do not think you gentlemen need have any hesitation. But what I wanted to talk about was the question of joining the Federal Reserve System from the point of view of the nation.

When we stop to think that the Government will require—I have not this from the Secretary of the Treasury and do not attempt to speak for him—but it does not take the Secretary of the Treasury to figure—will require one thousand million dollars a month to run this war, and we will need all the resources and all the expansion that we can get. We have got about half of the resources, where they can be used to expand. The other half cannot be, and I say that it is a patriotic duty, and I do not hesitate to say it, for every trust company and every state bank that has any commercial business, to join the Federal Reserve System. Of what avail is gold in the vaults of a trust company to the nation? None. That gold in the vaults of the Federal Reserve Bank can be used and expanded two and a half times over to make credit and note issues for the safety of the nation. You gentlemen last Spring, every one of you, took off your coats and worked for the Liberty Loan. You are going to do it next week over again and harder, but I venture the remark that all the work that all of you did, good as it was, would not equal the work that all of you could do by joining the Federal Reserve System. I believe that is true.

We have not hesitated to send our boys to France. We called upon them for that sacrifice. We have not hesitated to subscribe to Liberty Loan Bonds, although I suppose there is not one of us who does not know that he can make a better investment so far as interest return goes, in fifty places, but we took the Bonds. You gentlemen ought not to hesitate to take a loss if necessary, if you become convinced that the entrance of your institution is going to help the United States of America. There is just one question left as Mr. Wilson has said to us, and your own president has said—it is the conduct of the war. We must change from a peace basis to a war basis, and I say gentlemen that question is this, and I believe we should all ponder on it—will the war powers of the United States of America be strengthened or weakened if I join the Federal Reserve?

DISCUSSION.

PRESIDENT McCARTER: Mr. Curtis, we are very much obliged to you indeed. Now, gentlemen, we are ready for a discussion of this most important fundamental question. I hope that a large number of delegates will join in the discussion, or ask questions which will bring out information of an illuminating character. I will ask each member who will talk on this situation, to confine himself strictly to five minutes' time, as the afternoon is progressing very rapidly, and we must finish this part of the program this afternoon. Does any gentleman in the audience desire to be heard or ask any question with reference to the papers which have been read on the general subject? Will you be good enough to announce your name?

D. F. GUINAN, of the Merchants Banking Trust Co., of Mahanoy City, Pa.

D. F. GUINAN: Mr. Chairman.—It is very kind of you to give me the privilege of coming forward that I might see the audience and have my five minute talk. To me it is a vitally important subject. I was intensely interested in the talk of Mr. Jones, because from the very organization of the Federal Reserve Act, I was inclined to look forward to some time when the national body at Washington would make some provision for my trust company so that it might become a member of the Federal Reserve System. I recognize in that not so much the duty of patriotism, but the duty of profit. After all, corporations are organized for profit, patriotism is incidental, but in this matter there is a certain kind of patriotism that comes to every individual and comes to every corporation, in promoting the public good; but that which promotes the public good sometimes gives the individual, and sometimes the corporation, a chance of a greater share of the profit, that comes from the public good.

There is one thought in my mind: as a trust company we do not do our business on its trust power, but rather more on its banking, its commercial privileges, and it is in that the hope lies that a large body of trust companies, a large body of state banks, all through the country will have a large amount of paper eligible for re-discount, and get the advantages which do come to the members of the Bank.

It is a matter of regret that our resources may be tied up in mortgage loans. We may have very little amount of paper that we can hand over in case of emergency, to get cash. In one week's time we are going to have a campaign whereby you propose to reduce the deposits of banks and trust companies, to hand over to the Liberty Loan. Have you thought what a reduction in those meant? Have you thought of the possibilities arising out of the reduction and what provision is there for the conversion of our assets, that we might meet the demand of the liabilities? The amount of paper is so restricted, and is of such negligible quantity, that it cuts no figure in my resources. I would look for the time when I would see the forming of the Federal Reserve System as a kind of big insurance feature, that I could go into this movement, and look to the Federal Reserve System. Here I can place up my good assets and I can rely that I will have currency to meet the demand of the liabilities upon me. What do I mean by that? I mean that my mortgages, though secured as they are, should also be on the same basis as commercial paper. It is secured; it is safe, and my community is liquidated. Every mortgage liquidates itself in less than ten years, and I would consider that class of security just as gilt-edge as the most fine commercial paper in the world, providing the Federal Reserve System would say to me "You can place that down next week or next month. Here we will meet your demand," and when your system is so amended that we can convert our assets to meet our demand liabilities, I believe there will be no doubt but that all the trust companies of Pennsylvania, and probably the United States will join this good system.

PRESIDENT McCARTER: Is there any further discussion, gentlemen? It would seem that this important question should receive attention at this time.

LUIGI TRER, Chicago: Chicago Savings Bank & Trust Co.—I think that for the benefit of our Section, in the first place, we ought to have it rather clearly in our minds what we are talking about as a trust company.

Now, I think I would entirely agree with the expression of Mr. Blair's paper in the way in which he has defined a trust company. If I am correct, Mr. Secretary, we have about fifteen hundred members in this Section. I will venture to say that the trust companies, defined as Mr. Blair has defined them, would not number one hundred in that membership. Will you correct me if I am wrong. I am a modest company that does strictly a trust business, taking no deposits other than in trust. I remember that all of us who have studied this question will—I want to be corrected, now, as I think that this definition, whatever our final conclusion must be, should be in the record—I believe that most of us who have followed the progress of this legislation through a number of years, will agree with Mr. Blair's point of view when it is defined in that way; but I was very proud to hear at our Executive Committee meeting yesterday, that the assets of the trust companies in the United States are in the neighborhood of nine billion dollars. I cannot for the life of me believe that a very large percentage of that is other than bank deposits as defined in banking circles at the present time; and the conclusion which I have come to, and it is my own conclusion, is that if we take bank deposits—whether we call ourselves a trust company or not—we should maintain proper liquid reserves against them, and the natural following of that is we should belong to the Federal Reserve System. I want to contribute that analysis as to the definition of a trust company. Secondly, and then I am through. It may have come to the attention of some of you that several of the trust companies in Chicago have joined the System.

It has fallen to my lot to investigate the reasons that have led them into that, and I will give you that, and then I am through. We have one trust company that I will call trust company A, that joined the system at the time the Federal Reserve Act was passed in December, 1913. Interviewing their officers within the last thirty days, I am advised that they found no objection in the system whatever, even under the old law. Since that time, since the amendments of June 21st, four or five of our largest trust companies, who are also banks under the definition which we have developed, have joined the System, and others are making application. All of them have analyzed these questions of expense. Some of them have found that it apparently will cost—one company I think with thirty millions of deposits, figured

they would lose about seventeen thousand dollars a year in interest income. I have been told by their officers after sixty days of operation, that they are finding that it is not anything of the sort, that they are already finding other benefits. These trust companies that I mention are limited trust companies with respect to handling trusts, and with respect to their trust funds they are kept separate, but they maintain proper liquid reserves for their banking deposits and feel that thus doing, they should belong to the Federal Reserve System.

PRESIDENT McCARTER: Is there any further discussion of the subject, gentlemen?

JOHN H. MASON, Vice-President Commercial Trust Co., Philadelphia: I want to say that I am just speaking as an individual. I hold official position in this section, and am just as cautious as Mr. Blair to say that I do not bind the Section, as you all may know, because I do not carry it in the palm of my hand; but I would like to say this about the Federal Reserve Act: It is a pure and simple commercial bank act in my opinion, and whether you are a State institution or a national institution, if you are in the commercial bank business, you ought to be in the Federal Reserve System. There is not any question about it. I will go so far—I do not know many of these trust companies that are not doing a banking business. There are some, and I rather fancy those companies would get no advantage from the Federal Reserve System, but most of us do a banking business and a trust business, and we go on year by year getting what I call frozen credits that are never liquid and never paid off; and we had better spend our energies going into the more liquid field of commercial paper.

So far as New York is concerned, I think every institution must decide its action itself. Its patriotism must be found by itself, and I am not here to talk on a patriotic basis, but after the war, just as sure as I am standing here, we are going to find that we must be international bankers. We cannot and must not be local, narrow, small banking nations as we have been in the past. We must go into the open discount market. The trade acceptances will be a great factor in it, or we will drop behind and not be able to hold the advantages that we should in the commercial and financial world. We cannot stop where we are. We must go on, and I feel confident that the only way we can go on, is by those of us who are feeling as I do about the trade acceptances, and the open discounts market, that the Federal Reserve System is the best place for us. It is the broadest and greatest national bank system this country has ever had or thought of, and I think we ought to bear in mind that we owe something to our country even if we do have to set aside some little feeling about certain control here and there; and I am quite sure that nearly everybody in this room knows Mr. Festus J. Wade, who was one of the first to go in the System. His institution has been in it, and he assures me that he would not be anywhere else, and he does a trust business and a bank business. Let us remember that this is a commercial bank act, and those of us who are in the commercial banking business, the sooner we get into the Federal Reserve System the better for this country and the better for ourselves.

Let us get away from those frozen credits, and I am quite sure that those of us who come in—and I feel I stand here knowing that my company will not come in. I might regret it. However, I do not think we will go in, but I am quite sure that those who do go in will outstrip the companies that do not go in, and I am very sorry to say that in Philadelphia we are away a little bit behind the times. We have not quite reached up to the Federal Reserve System, but we will get there, after most of the others have gone in. I am for the Federal Reserve System.

H. C. ROBINSON, Vice-President Guardian Savings & Trust Co., Cleveland: This is my first attendance at the national convention, and consequently I have some timidity about getting on to the floor; but inasmuch as I represent one of the companies that recently has entered the Federal Reserve System, I feel that it is my duty to rise and say to you that we are perfectly satisfied and glad that we have gone into the System.

We naturally took the position that other trust companies did when the Act was first inaugurated, to the effect that the provisions for the admission of a trust company were too arbitrary and too indefinite, and we waited until final action, with the rest of the trust companies, but after the recent bill was introduced in Congress, and we were assured that it was to pass, and the amendments which Mr. Jones so fully explained here today were enacted into the original law, we hesitated no longer, filed our application and were admitted. Now, we were actuated by two motives; first, our duty to our customers; secondly, our duty to our Nation.

We must all admit that we are facing and will continue to face financial conditions never before encountered. No one can tell how long this war will last, or what we have to face during its continuance, no one can tell what we will have to face when the war is over. Much of this gold that has been poured into this country will undoubtedly pass back to the country from whence it came, for rehabilitation purposes; and this country may not be able to compete with the high interest rates that will prevail over there.

We had a general commercial and savings bank business and the thought was brought to us, "Where will we be able to take care of our customers in case of money panics? We will be much safer within the fold than without it." We did not care much about the System, whether it was the best one that could be devised or whether the rulings and regulations of the Federal Reserve Board were the wisest that had been promulgated, and we felt that if they were unwise and could not be remedied, we could do more on the inside than on the outside; and lastly, we gave consideration to the need of our country for our services in this particular. I feel for one that in a measure we have got away from the old American method of going on alone. You noticed all over the country how by cooperation we put across the Red Cross issue and we will be called upon as the war progresses for more and more cooperation, and I think that every trust company doing a general banking business should be in the System. I may use the words of Kipling—"It is not the arms, nor the equipment or the funds that they can pay, but the close cooperation that makes them win the day. It is not the individual nor the army as a whole, but the everlasting teamwork of every blooming soul."

PRESIDENT McCARTER: Now, Mr. Jackson, Vice-President of the Jersey Trust Company, Philadelphia.

Mr. JACKSON, Philadelphia: I am not going to talk much on this

subject, but I think that the members assembled here do not know it. Hence, it might be wise to say, if I may say it, that perhaps one of the opening wedges that made it possible for the trust companies to consider going into the Federal Reserve System by reason of amendments and regulations of the Board, was had by a committee of this section under your able leadership, that appeared before the Federal Reserve Board.

PRESIDENT McCARTER: Will you please continue further with the discussion, gentlemen?

J. F. CURTIS: May I have one word? It is simply to say that I have with me here copies of the Board's regulations on the subject of the state and trust companies joining the System, and also a reprint of various experiences written by those who have joined, including Mr. Jones' original paper, and also a copy of the Attorney-General's recent opinion. If any members present would care to see them I have them here.

PRESIDENT McCARTER: Have you a number of copies of those?

Mr. CURTIS: I have a dozen of each which I will leave on the table.

Mr. FREES: A gentleman from New York spoke about the duty of the trust companies, and that it was patriotic to join the System now. The principal reason he gave was that it would give them enough gold, or more gold, and that they could increase their earning capacity two and a half times. Now, if the trust companies were patriotic enough to turn their gold over to the Federal Reserve Bank and receive from them Federal Reserve Notes, or any other Notes, would not that help out?

PRESIDENT McCARTER: Just so far, yes. Mr. Curtis took the stand that the trust companies who were doing that were doing a part of their work, but that being outside of the re-discounting privileges, they were still outside of one of the main advantages of the system. I think I quote Mr. Curtis correctly.

Mr. CURTIS: Yes, sir.

PRESIDENT McCARTER: Is there any further discussion?

Mr. BRECKINRIDGE JONES: I would like to have the privilege, which is usually accorded to one who opens the discussion, to say a few words in closing.

PRESIDENT McCARTER: A five-minute roll, you will remember.

BRECKINRIDGE JONES: I am perfectly ready to recognize it. Mr. Blair's argument was all on the question of the difference of the relations of a bank and its customer, which was that of debtor and creditor, and that of trustee, which was that of trustee and cestui que trust. There has nowhere been any suggestion that the trust company as a trustee would become a member. The trust company coming in as a member has nothing to do with its relations to these trust funds at all. The burden of his argument on that, I think, holds to the ground, because the Federal Reserve Act has nothing to do with my relations as Executor, or Guardian, or Curator; and moreover, the Federal Reserve Act expressly says that I reserve all my charter and statutory powers, and the statutes of my State, and the statutes of nearly every State provide for the administration of a fund in the hands of an Administrator, or Guardian, and committing of an insane person, or an incompetent and the like, and in all of these cases expressly puts those matters to be administered under the State Law.

Now, there may be some things where you are trustee, and you would be under a general code of equity, that as a matter of statute does not put you under that; it is a matter of the general jurisdiction, but the jurisdiction of the courts of equity under our code system puts the administration of the trust and a receivership in a State court all under the State law, and I say that this Federal Reserve Act has not anything to do with that.

Mr. Guinan talked about how a Federal Reserve Act—if that would ease his mortgages for the basis of currency. If he does not come in, how he is going to meet this withdrawal of deposits? This condition is not liquid enough to meet the withdrawal of his deposits, so he had better keep that in more liquid condition, or he had better not receive deposits which are not liquid. If he has any, the tendency will be when he does get his assets in a condition suited to the character of his deposits, then it is the Federal Reserve System he can use to advantage.

Now, I would like to ascertain the sentiment of this body. In the old days of their discussion on the currency, I would like to have seen what the most ardent advocate of currency would have said to the suggestion that he should make his collateral loans based on an issue of currency. No one has wanted to go that far. But the fact that the Federal Reserve Act makes a safe basis for currency is no reason why he should go further and make an unsafe basis for currency; and if he has his mortgages—sell them if he needs the money. I want to answer the two or three objections that were made.

PRESIDENT McCARTER: I have been in the banking business thirty-five years and supposed I belonged to a system that safely guarded the public's interest. I have been illuminated today and learn that we old-fashioned bankers are apparently entirely outside of the pale of civilization. The hope, however, is high that we may learn from experience, and from these wise men of the East, and come forward and learn the rudiments of banking. Is there any further discussion on this subject?

Mr. GUINAN, Pennsylvania: I am inclined to believe that Mr. Jones has misunderstood the tenor of my remarks—

PRESIDENT McCARTER: So am I.

Mr. GUINAN: I have no intention whatever of asking for an issue of currency on mortgages. I will simply remind you that during the early stages of this war, in 1913-14, it was the provisions of the Ireland-Aldrich Act that prevented a panic and provided for an issue of currency on bonds or mortgages. It did not exactly mean an issue of currency on assets, as a perpetuation, only as an emergency, and I was raising the same point in relation to the formation of this Act—that there are sometimes emergencies where the conversion of assets acts as an insurance feature, and would be a decided advantage if it were incorporated in the Federal Reserve Act—where the assets of any banking institution or trust company might be converted into currency, otherwise than bills receivable or a certain class of commercial paper. That was about the force of the remark I wanted to drive home—it was the conversion of assets, not currency based upon assets, but an emergency currency upon which the mortgages or

the assets of any institution might be held for the issue of such credit, whether it was emergency currency or otherwise, by which you could meet your demand liability.

BRECKINRIDGE JONES: I would like to use the balance of my thirty seconds to apologize to Mr. Gulnan.

PRESIDENT McCARTER: Is there any further discussion on this subject, gentlemen?

PETER J. SLACK, Broadway Savings & Trust Co., Cleveland: I think I represent a great many of the smaller institutions, who loan money to the working people to build their homes. They are the backbone of your country. We would like to join the Reserve System. I am in sympathy with the remarks of these gentlemen, but we would like to have, in case of emergency, some provision in this System where we could use immediate funds, and put those funds up forthwith as collateral. We have a system where the workman pays for six or ten months, and instead of liquidating in ten years, he liquidates in five years; there are thousands of banks all over the country working under that Act, and we would like to join, only you prevent us, and then you say we should have more liquid assets—why, by loaning to the workmen we produce business and liquid assets to you, but at the same time you forget us in your efforts.

PRESIDENT McCARTER: The gentleman's remarks sound like home to me. I think he is improperly named. He said his name was Slack. (Laughter.)

Is there any further discussion? We are getting up some real interest here. The Chair will recognize Mr. Kemper, who desires to speak.

MR. KEMPER: Put one of those gentlemen on the floor, and ask them whether they have ever considered it from that viewpoint?

MR. CURTIS: I am afraid, Mr. Chairman, that I am not in a position to answer that question, because I do not know whether the Federal Reserve Board has ever given consideration to that phase of the question, and I am afraid if I undertook the answer that I might be committing somebody to something, and that seems to be against the rules here.

PRESIDENT McCARTER: A prudent representative of the government. (Laughter.)

NOMINATING COMMITTEE APPOINTED

MR. KEMPER: Gentlemen, I would like to offer the following resolution:

"Resolved that a Nominating Committee of Five be appointed by the Chair which committee shall receive names in writing from the delegates present, and from said names the Nominating Committee shall select five persons as members of the Executive Committee for the term ending 1920, said Committee to report back to the Convention for its action."

PRESIDENT McCARTER: You have heard the resolution. It is a little out of the ordinary. We ordinarily leave that over until tomorrow, but the reason is in order that the Nominating Committee may have ample time to give the question of the new committee consideration. The Chair will appoint the following gentlemen:

William Chambers, of Baltimore.
M. H. Grape, Baltimore.
Hon. Judge John Stiles, Louisville.
W. S. McLucas, Kansas City.
John L. McNeil.

I will ask Mr. Chambers to get his Committee together after the adjournment of this session, and be ready to make a report at tomorrow's meeting.

A brief general discussion on the following topic: "War Time Readjustments in the Clerical Forces" is now in order.

WAR TIME READJUSTMENTS IN THE CLERICAL FORCES.

PRESIDENT McCARTER: To show you to what extent the readjustment of the forces may be necessary, due to the draft, I would report that there is one trust company in Atlanta, Ga., which has had to close its doors, because every single member of its staff, from president down to office boy, has been drafted (laughter). Now, I should think that that was patriotism which would satisfy even the members of the Second Federal Board of New York. What are we doing to fill the places of our men who go to the war? Are women being substituted; if so, in what departments can their work be best appreciated? I recognize A. A. Jackson:

A. A. JACKSON: Mr. President: I suppose this condition confronted us at the beginning of the war, by the volunteering of our men, and I have been thinking about the situation since I found it on your program. In the company that I represent, and of course with all of us, I dare say, it became more or less a matter of trying to hold our people together, against our desire to be patriotic enough to let them go. Now, we have to meet the situation where we have to let everybody go, whether we wish to hold them or not. They are drafted. This ought to be a sort of experience meeting here, if you care to go so far, to let us know from various parts of the country, how they are affected and how the trust companies in these sections are affected. I would say, in Philadelphia, the company that I am connected with—I made a mental calculation, and I think we have lost by volunteering in the beginning of the war, before the draft came into effect, about 8% of our men, and we have now about 33% in the draft, of whom very few have gone under the first call, but of course others will go, as time moves on. It has been very hard for us to know what to do to fill their places. If you take young men under the draft age, of course they are not sufficiently familiar with business methods to do the work of those who have gone. The man who went in the beginning, and who volunteered, is the most valuable of the lot, we might say. They were men we could ill afford to lose. If you take men over the draft age, although they are young enough in all conscience, if they are near the draft age, they have to be trained, but men who are more advanced are of course slower.

Then comes the question they have before them in Canada. As I remember it was told those of us who went to the convention, when Sir Edmund Walker, the president of the Canadian Bank of Commerce, said to us that he had in his different branches all over Canada

some four thousand clerks, and those clerks at that time in February during the war had been supplanted by two thousand women in any position, official positions, paying and receiving tellers, and clerical positions of all kinds.

I think that seems to be the solution in a great degree. We are taking on a number of women, and we are continuing to do so, as our men go. We find that there are places that they can fill that we did not think of them for, until this occasion arose. I dare say, if you will forgive me for going from gravity for the moment, that that lovely creature who created such a disturbance in the beginning of the history of the world—we have always turned to you thereafter for comfort, and now she must become our chief help in our business. I think, Mr. Chairman, if you would let us hear from some of our members their experiences, it might be extremely illuminating.

PRESIDENT McCARTER: I would like to announce in the hope of encouraging some discussion on this situation, that the company I represent has also followed Mr. Jackson's advice, and established a full-fledged harem—having some fifty women in all in our employ, who are rendering most efficient and valuable service along the lines for which they are inspected (laughter). Now, gentlemen, we are getting very helpful one to the other in knowing what you are doing in different parts of the country, because this is not only an imminent and pressing question, but it is one which will develop very rapidly as the war progresses. Will not some other member besides Mr. Jackson describe what they are doing, and what the effect has been, and how they are combating and meeting the situation?

MR. EDWARDS, Pittsburgh: Gentlemen, I want to say on behalf of the ladies here that our last experience has been as Mr. Jackson and the President has stated, and I am very glad to say that the work along bookkeeping lines and statement work that we are now having done by women is being better done than it was formerly by men.

JOHN H. MASON, Philadelphia: May I burden this assembly for a minute more? We did not in our Company form an organization as the President did (laughter), but we have found that most of our employees were young men and they did not do anything more than they ought to do, but always had a large bookkeeping force, and that bookkeeping force always consisted of young women. We went into it after having old men like myself in it after a while, generally wrote a poor hand, and all that sort of thing, and our bookkeeping I think is run by twenty-six young women only, and I think is better than any other bookkeeping department in Philadelphia, Newark, or anywhere else. We are so successful there, that we had seven tellers in our institution, and the war took away five of them, and now we have five girl tellers. They receive and pay and at the same time, which is rather unusual. In having them there we laid down a very important rule. The bookkeepers are on the 21st floor; the tellers are on the ground floor, and one of the things is that they must not only have ability, Mr. Chairman, but they must be good-looking, and therefore, our deposits have gone up considerably (applause).

F. T. HARLAN, Maryland: I want to ask the gentleman one question. I agree with him on the woman question. We have had them a long time in the bank. I would like to know how he treats them on the question of salary?

JOHN H. MASON: The girl tellers in our company receive exactly the same pay as the men.

TREATMENT OF ENLISTED EMPLOYEES

A. A. JACKSON: Mr. President, I think it might be of interest, and I would like to know from not one individual institution, but how the matter of salary to women substitutes or clerks, is considered, and what is being done in different parts of the country to take care of the difference between their government pay and the pay they had been receiving from their companies, or on what basis they are operating upon, if it can be brought out, as to local conditions.

PRESIDENT McCARTER: In my own company, we treat that question with the individual, establishing no rule whatsoever. If an individual young man has gone to the front without any liability behind him at all, he gets nothing from us, except the guarantee of a position of equal rank upon his return.

A. A. JACKSON: I did not mean to inquire into your company.

PRESIDENT McCARTER: That is all right. I am only attempting to open up your discussion. If a man has dependents upon him, we make good the difference between the Governmental amount he receives from the Government and the amount of his present salary, that is our way of handling it, and I would be glad to hear from any other members. These discussions are very helpful, gentlemen, because they are problems that we are meeting every day.

MR. SONTAG, American Trust & Savings Bank, Evansville, Ind.: We put our boys who have gone to the front on half-pay, and two of the largest national banks in the city are doing the same thing. We have almost half of our employes girls, even before the war. We put them on the same salary basis as the men.

LUCIUS TETER, Chicago Savings Bank & Trust Co.: With regard to the last thought, I not only had to study the question with reference to our bank, but being at the time an officer of the Chamber of Commerce of Chicago, I participated in a good deal of the discussion on the question of pay, which I think, Mr. Chairman, is a tremendously important one. It seems to me the best contribution I can give on that matter to-day is that it is very much better not to establish a definite standard, but follow the plan outlined by our Chairman, because each case it seems to us, in our observation, should be considered on its merits. For instance, we had one chap who is a captain in the service, and he is getting a larger salary than he did with us.

MR. BLANK: Does he give that excess to the company in your case?

MR. TETER: There is one thing we do; we have a pension system in our institution and we have one thing that is uniform. We pay both sides of the pension fund, while the men are in the service; our pension system is a joint contributing one. The employees contribute the same percentage that the trust company does. Immediately a man comes into Government service, we assume both sides of the pension fund and in the main we figure on making up the difference, but I do believe that you would make a mistake, as I fear my friend from Evansville is doing in trying to make a definite program, and of course, it goes without saying, that we do not promise how long it will last, but we

do expect to get the men back. Now, in our bond department, for instance, over half of our members have gone to the front and we cannot substitute very well. In fact, we do not need to very much, except that they are splendid fellows who are staying behind, and taking over the work of those who have gone. They are doubling on it. They feel they are only doing part of the patriotic job if they do that. We are using women as machine operators, but I think the question of the salary is one of a great deal of interest, and I believe if you will keep the matter open and treat each case as it develops, you will find it is the most practical plan to follow.

PRESIDENT McCARTER: Will one of the representatives of the New York Trust Companies tell us as far as they may know, not what he individually is, if he does not care to, but what is the practice of the New York Trust Companies in reference to this matter, particularly with reference to the continuance of the salary or what arrangements they make.

MR. PLATTEN: Mr. President, as far as our company is concerned, those who enlisted, and those who have been called, we are continuing to pay them up to the present time, less what they are getting from the Government since we have established no set rule yet, and probably shall not, the draft not having been completed. I quite agree with Mr. Teter, and I think you all do, that each case should be handled on its merits, though we have not yet made any distinction as to whether an employe who has enlisted or gone to the front, whether he has anybody dependent upon him—we are treating them all alike. I think the subject has been discussed in New York by most of the Trust Companies and a great many banks, and I have yet to learn that any definite conclusion has been reached.

Some of them I know where they receive payment from the Government, do not receive any from the Trust Companies. After the war we propose to give them back their jobs.

PRESIDENT McCARTER: Any further discussion along this subject? If not, we will take up the next one.

TRUST COMPANIES AND LIBERTY LOAN.

PRESIDENT McCARTER: I will ask the Secretary just as briefly as he can to describe some of the most important features represented by this compilation of the work. He prepared the same.

SECRETARY MERSHON: Gentlemen, you are already familiar with the twelve questions that went out from the office of the Association, so we will not take time to read those, but as the result of the 8,000 and more replies that came in, we have this very interesting chart (indicating). It does not show the totals in any respect, but for the purpose of making comparisons and deductions, it is exceedingly valuable; for instance we gather under each State and subdivide the National, State Banks, Trust Companies, Savings Banks, Private Banks, miscellaneous, and bring out the total. These items are—the number of replies received.

Mr. Mershon then described the character of the chart at length.

PRESIDENT McCARTER: Do any of the members desire any further information or to bring out any further discussion in regard to this compilation which has been brought to your attention? If not, we will proceed.

EXHIBIT, EXPLANATION AND DISCUSSION OF QUESTIONNAIRE.

The purpose of this matter, gentlemen, is to provide if possible in the office of the Secretary full detailed information in regard to the make-up of the various corporations, and the purpose of it is to be of service and value to the members who are constantly writing into the office—what shall we do in this direction or that direction, or how do you meet this condition, or do trust companies have this kind of a plan or that kind of a plan—pension plan, &c.? We have prepared a series of questions which, if it is not too late, we would like to read to you, to obtain your views upon them, to see whether they would interest you, or be of any interest to you, in having us present them, and keeping the records in our office. I will ask the Secretary to read them, please.

(Explanation by Secretary).

A compilation of interest and value to all members of this Section, aiming towards closer cooperation between them and the Section office, was outlined briefly in the March issue of the Journal of the American Bankers Association.

The work was announced to begin at once, but on account of the declaration of war, and the subsequent flotation of the Liberty Loan, it was postponed.

Immediately following the Convention it is the purpose to address a series of questions, as shown herewith, to all members of the Section, in order that the Secretary may begin an intensive service along the lines indicated, as well as prepare compilations which it is believed will be of value to every member of the Section.

The questions are designed to be answered without reference to books of record, and several of them may be answered with simply "Yes" or "No." The information as far as individual companies is concerned will be held in confidence, only total figures for the entire country and certain sub-divisions thereof published.

QUESTIONNAIRE.

How many stockholders has your Company?
 How many directors? How many officers?
 How many employes? How many customers?
 How many of your employes are stockholders?
 Please name the various departments of your Company.
 Do you transact a trust business?
 What is the approximate total of your individual trusts?
 What is the approximate total of your corporate trusts?
 Please furnish the names of those in your Company specializing in individual trust matters, and to whose attention should be directed items along these lines.
 Are any of your officers or employes prepared to speak or write on trust company subjects?
 Please give names and subjects upon which they can speak or write.
 Do you have periodical meetings of your officers and department heads?

Have you a Club or other feature whereby your employes come together periodically for discussion of daily problems, betterment of methods, etc.?

Do you maintain a pension fund or other welfare work?

Have you any educational plan for your employes?

Are any of your employes taking the American Institute of Banking or other similar course of study?

Have any of your men graduated from such course?

Do you publish a "House Organ" or other periodical?

Have you a library?

Do you maintain a dining-room?

Do you have a system of medical examination?

Do you make any suggestions or assist your employes in connection with their Summer vacation plans?

Do you have a "suggestion box"?

Have you any men in the military or naval service?

How many?

Have you a safe deposit department or company?

How many branch offices do you maintain?

Do you mail statements periodically to customers in your banking department?

Is your Company represented at the Convention of your State Bankers Association?

Is your Company represented at the Convention of the American Bankers Association?

Name of Company City State

SECRETARY MERSHON: It will be greatly appreciated at this time if members will express their views, particularly as to the questionnaires in general and this one in particular.

PRESIDENT McCARTER: It is quite a labor to get up a questionnaire of this character and to get it out to the 2200 members. Would there be any objection on the part of anybody to the reception of such a document and giving the information with the full knowledge that it will be absolutely confidential in the office of the Secretary of the Association?

(A Voice: Certainly not.)

You think not; if there is no objection then the Secretary's office during the current year will prepare such, and in a short time you will receive it.

MR. JOHN H. MASON: I move we adjourn. Is that in order?

PRESIDENT McCARTER: Not yet; we have only 5 minutes longer. We have here, gentlemen, on the last page, a translation of the oldest known Will, executed B. C. 2548. I am not going to attempt to read it to you, because I cannot. We have a fac simile of that, however, here in the original, which is very interesting. We also have some charts here relating to a most desirable feature and one which we should pay more attention to in our business—"Subjecting the wills that come into our possession to a scientific test if possible, prior to the use of them, while the testator is alive." In New York State it is stated that 82 per cent of all the litigation on the docket there is the discussion of and contests on wills. You can readily see the amount of bother, labor and trouble that is brought to trust companies by improperly drawn and unscientific wills, and a plan will be worked out by the executive committee or by the officers of the incoming administration, for furnishing information to members, when desired, as to how this can be overcome.

MR. JOHN H. MASON: Do you think that would stop the litigation over wills—the 82%? What would become of the eminent counsel?

PRESIDENT McCARTER: Well, of course, we are trying to be of service to our customers and to reduce our own difficulties. I would like to report that the morning session which is generally known as the business session of the Institution will be held at 10 o'clock tomorrow morning in the Park Avenue Hall and I hope every lady who has been here this afternoon will not only come herself but will bring others, and that we will have a full attendance, and it is every important we begin that section promptly at 10 o'clock.

If there is no objection, Mr. Mason's motion is now in order, that we adjourn.

(At 5:20 P. M., adjourned until tomorrow, 10 A. M.)

SECOND SESSION.

(Forenoon, Sept. 26th, 1917.)

(The President called the meeting to order at 10:15 A. M.)

THE PRESIDENT: I have great pleasure, ladies and gentlemen, in presenting Mr. George L. Lamont, Commissioner of Banks of the State of New Jersey, whom I have asked to say a word to us.

HON. GEORGE L. LAMONT (Commissioner of Banks, N. J.): Mr. President, Ladies and Gentlemen.—I remember that your President yesterday afternoon said your principal business here was not to be entertained by celebrated speakers, and I shall therefore not entertain you for any great length of time. (Laughter.)

I have no desire to discuss with you the tremendous war crisis, because as great as it is it is being rather overworked, in a way, at the present time. I met that crisis yesterday in the State Bank Section's meeting, and it was doing its full duty; and I went to the Savings Bank Section and the crisis was there; I went to the Trust Company section and lo, it was there also; and I have no doubt it is meeting with the National Bank section this morning.

Of course there is a great big job to be done; but even so it does not do to make too much fuss about it, in my opinion. The thing to do is to go ahead and do the job.

I am reminded of a story to the effect that when you fast—I did not find a Bible in my room at the hotel, probably being overlooked by the American Bible Association—and so cannot quote with exactness—but it says that when you fast do not do as the hypocrites do, make a long face, that it may be seen and known of men that you fast; but, to put it in the vernacular, go upstairs to your room and wash your face and go out on the boardwalk and do the work you have got to do. (Laughter.) Besides that I would like to bring this idea before the men I meet, and that is, that the principal thing you have to do now is to do the particular job. But, remember it is not a lasting job, and does not solve all our problems; the big problems that face the bankers and trust companies are those to come when this war is over. When we play a game of Chess, we play it to checkmate the King, and when

that is accomplished the game is won, but according to our present understanding we are trying to checkmate war so that it may be eliminated from the world, and then the problems may be solved; then the great problems of making the world safe for democracy, or "America for Americans" having been solved, when that is out of the way, then labor has to be adjusted in some way or other, and the factories now making things for a particular purpose must be altered and made over to work at some other purpose, and those factories now entirely unproductive must be eliminated. So it is time for some of us to begin to look ahead and plan what we can do when the chess-board is clear, and how we can best do it, and not come to the task unexpectedly.

I am glad to have had an opportunity to say these few words to you, and I will now let you return to the more prosaic duty before you. (Laughter.)

THE PRESIDENT: The next business is the report of the Executive Committee, which will be presented by Mr. John W. Platten, Chairman of the Committee, and also President of the United States Mortgage and Trust Company of New York.

Report of the Executive Committee

[The report of the Executive Committee is printed on page 179.]

MR. PLATTEN (continuing): And let me say right here, Mr. President and gentlemen of the Trust Company section, speaking of patriotic motives of the Trust Companies of this Country, there never was a time when the Trust Companies have not come forward wholesouled to promote the general interest of this country and I am frank to say, Mr. President, that when an appeal is made to our Trust Companies in a Liberty Loan, in the Red Cross movement, in the placing of these certificates of indebtedness, you will find the Trust Companies will respond to the appeal in a manner second to none of the financial institutions of this country.

And when I referred in the report to the amount of \$8,600, that amount of \$8,600 is but \$200 more than was expended by the Section in 1912, and today we have a large increase in the number of members, and our activities are greater, and so you can understand we have handled the work of the section ably.

And in conclusion, let me say here that the Secretary's office is there for the purpose of assisting all the members, and no efforts will be spared to furnish all information obtainable.

THE PRESIDENT: Gentlemen, it is exceedingly difficult to put in cold type and place before you the activities which comprise the work of this Association for any one year. Only those of us who have been through the mill and who understand the great amount of work involved in the Chairmanship of the Executive Committee of this section can fully realize and appreciate the amount of work, satisfactory work, and attention to details of the office which have been rendered by Mr. Platten during the past year. I think it may be said that at no time have the affairs of the Section been in better condition than now. The office has been entirely reorganized, and the interest shown by those present at this meeting indicates what I wish to point out.

Gentlemen, you have heard the report of the Chairman of the Executive Committee. It seems to me in addition to the formal motion of receiving and recommending, we should also give a vote of thanks to Mr. Platten for the very excellent work which he and his Committee have done during the past year.

MR. MASON: I make such a motion, Mr. President. (Motion seconded.)

THE PRESIDENT: You have heard Mr. Mason's motion, which has been duly seconded. All in favor say "aye"; opposed, "no." The motion is unanimously carried; and, Mr. Platten, you are thanked by the Section.

MR. PLATTEN: I thank you very much for the commendation. There seems to be so many things to come before the Convention this year that the difficulty has been the selection of matters of interest from a varied and extended assortment, rather than in the manufacture of a program. We have all learned and are familiar with the Association recently formed, known as The National Association of Owners of Railroad Securities, and the activities of Mr. S. Davies Warfield, of Baltimore, we will learn of from Mr. Warfield. We are most fortunate in having Mr. Warfield this morning, and I have taken the liberty of suspending the printed program for a few moments in order that we may hear a few words from Mr. Warfield on this subject which means so much to Savings Banks and Trust Companies who hold so many of these securities, and who seem to be the only people out in the cold wide world without protection. (Laughter.) We therefore look to Mr. Warfield as a kind of Moses to lead us out of the wilderness, even though his name starts with an "S" which is doubtless "Samuel." I therefore take great pleasure in presenting Mr. S. Davies Warfield, of Baltimore.

MR. S. DAVIES WARFIELD: First let me thank the chairman for making me the Moses. I do not know that I will live up to what he expects me to do. I have been given 10 minutes, and to expedite matters I have set my remarks down and will read them.

Remarks of S. Davies Warfield, President National Association of Owners of Railroad Securities

Mr. Chairman and Gentlemen of the Convention:

In our war preparations if we could turn back the hands of time eighteen months, how grateful we would be. It may not have been possible to foresee what is now happening around us; every human force at work preparing for our actual participation in the world's conflict. Yet had we then been as far ahead as now, German despotism might be at an end.

How few of us have realized what preparedness has really meant. The war is working great changes in every relation of life, social as well as business. We shall not go back to an era of great extravagance in personal living or in the indulgence of pleasures on the lavish level of expenditures of the past. Business will be conducted on a broader plane—the human plan of live and let live, of cooperation. The best that is in us comes now to the front to guide our actions and when the war stops the result will be felt in every walk of life. We have now been taught preparedness not only for the war but as it affects our peaceful and personal pursuits. And as we turn to help—to do our part—we should also have an eye to the protection of those who may

have entrusted to our care or keeping their means of livelihood which has been invested by us, as bankers, in securities which belong to others who through the institution we represent depend upon their value and upon the income from them.

The greatest aggregation of capital of any single business enterprise is invested in the common carriers of the country, of which the railroads form the chief part. Upwards of twenty billion dollars are employed, seventeen billion dollars of which are outstanding in the hands of the public. They are the greatest users of money and of labor, the largest purchasers of materials and supplies, the greatest business circulating medium of exchange of money for those commodities and for labor in the world. They come closer to the people than any other business. The greater their ability to serve those dependent upon them, the greater will be the prosperity of those so dependent. Upon their ability to extend their lines—their service—to expand their facilities, depends the added wealth of the Nation. This is when at peace. How much more important becomes this service in times of war.

To meet the war situation the railroads were among the first to respond—in formulating plans to cooperate one with the other, throwing aside plans of competitive operation. Bringing into one cooperating system all the railroads of the country and in turn cooperating with our great President and the Government to the end that the war shall be prosecuted to the limit in so far as the ability of their executives can accomplish it.

I am not here holding a brief for railroad managements of the past or of the present, nor do I defend acts which in the past have disgraced the railroad world. Furthermore, I have differed with many of the railroad executive officers in plans they have proposed and acted upon in times past and I still differ very materially with many of them in matters of policy and in what I know to be some of their desires and purposes for the future. Discussion of these matters has no place here.

I am here to-day, a banker, one of your body if you please, representing an Association which was organized in Baltimore on May 23rd last, to prepare the way to collectively take up and act on questions which have arisen and others which will arise, affecting the owners of the securities of the railroads—the real owners of the respective properties, the majority of whom have no voice in the management of the properties in the securities of which they have invested their money, I especially mean the bondholders. At that meeting there were over five hundred owners, or representatives of owners of railroad securities. Over three billion dollars of railroad securities, bonds and stocks, were represented, an unusual gathering. The National Association of Owners of Railroad Securities was organized. As President, and in behalf of that Association, I have come here to ask you to cooperate with us by joining this Association as individual members, and by having your Banks and Trust Companies do likewise. We are receiving support generally throughout the country, especially from the great Life Insurance Companies.

Fifty million people, nearly one-half of our population, are directly or indirectly owners of railroad securities. This ownership is divided as follows:

By individuals outright, numbering over 1,000,000, owning \$10,000,000,000.

By Life Insurance Companies with 46,000,000 of policies in force, held by 33,000,000 persons, representing a total of \$1,550,000,000.

By Savings Banks with 10,000,000 depositors, representing \$847,000,000.

By Fire and Marine Insurance Companies, Casualty and Surety Companies, representing a total of \$649,000,000.

By benevolent associations, colleges, schools, charitable institutions, etc., \$350,000,000.

By trust companies, State and National Banks, \$865,000,000. Balance held in channels not enumerated, mostly abroad.

Let me read from the last circular issued by the Association, a copy of which was mailed to the Banks and Trust Companies of the country:

OUR PURPOSE.

"The purpose of this Association is, through its officers, its committees and its membership, to do whatever it properly can to protect investments made in railroad securities. We propose no controversy with the railroads, nor, on the other hand, shall we undertake to answer for them. It is our intention at all times to exercise such rights and powers as belong to the ownership of railroad securities."

GENERAL SCOPE.

"The activities of the Association will include measures to be taken, which may be deemed necessary for the protection of those it represents. These can hardly be enumerated here because of the largeness of the field to be covered. Should it become necessary to take up directly with the carriers questions which closely concern them, it remains for the managements to do so."

I might, therefore, divide the activities of the Association as follows:

By an educational campaign, to show the thirty-three million holders of life insurance policies that approximate twenty-five per cent, or one-fourth, of the policies on their lives is secured by the securities (bonds and stocks) of the carriers; also to show that millions of other citizens such as depositors in savings banks holders of stocks of financial and other institutions owning railroad securities are indirectly interested in the value and stability of such securities; and to let the public know from time to time the good and bad of the situation surrounding the carriers.

By a supervision over such legislation as may be proposed for the carriers, that the public and those owning their securities may have full knowledge of the effect of such legislation.

By assisting in correcting any abuse or abuses which may arise in the railroad world or in any attempted exploitation of carriers.

Our efforts cannot be successful unless we have the hearty cooperation of those who own or represent the owners of railroad securities, and I might add those who are interested in securities generally. I know that in these times of war we are cooperating in every direction to win the war, for it has now become our fight.

President Wilson has well said "Commercial activities should go on as usual so far as possible. Indeed, I think they should be stimulated in every legitimate way." So we must look both ways. It is for you

to determine, whether membership for your institutions in this Association is not a measure of protection and "preparedness," which your stockholders would be glad to have you take in their interest. You insure your buildings and vaults against conflagration and destruction.

Federal Food Administrator Hoover before the War Convention of American business men, held in Atlantic City about ten days ago, said: "One looming shadow of this war is its drift toward socialism. For the gigantic sacrifice of life the world is demanding a sacrifice of property. We will surely drift to that rocky coast unless we can prove the economic soundness and willingness for public service of our commercial institutions." I agree with Mr. Hoover. We say to Mr. Hoover, has more patriotic and generous response ever been given a government than is coming from every class of business and professional endeavor? And we now call attention, and later will ask our Government and those in high authority to correct existing evils in dealing with business enterprise, be it railroad or industrial, and we will see to it that honesty of purpose shall control our actions.

That our Association took the same view as Mr. Hoover of the dangers ahead and for which we should prepare is evidenced by the following extract from our circular issued a month ago, viz.:

"Not only are the fifty million investors in railroad securities concerned, but investors generally and the people as a whole are vitally concerned in a situation fast drifting towards the point beyond which it will not be possible to obtain due consideration for property rights. We have, therefore, more than a personal duty to perform. We have a public duty."

In asking attention to the aims and purposes of the Association let me say that through collective action the most effective work can be accomplished, especially when considered and directed by committees composed of such men as make up the committees of this Association.

If you will read the names of the 100 men, including the five Vice-Presidents, composing the Advisory Committee, the thirty-three men composing the Executive Committee, and the fifty men so far making up the General Committee, you will find every sphere of business activity represented by men of recognized ability in their several callings.

We have Bankers' and Trust Companies' Associations, and the Investment Bankers' Association, organized for mutual protection and administrative work; we have Chambers of Commerce and Boards of Trade and Manufacturers' Associations and other trade and business bodies for the purpose of collective work; this Association now presents the opportunity of organizing the owners of representatives of owners of the billions of dollars of investments in the securities of the railroads of the country for the purposes set forth.

As we shall not go back to ante-bellum methods in personal and business pursuits, so, in my opinion, the railroads will not return to former methods of competitive operation or to methods of regulation of the past. The methods of today, both for the handling of railroad-cars for reloading and in the movement of commodities urgently required at any given point for any given purpose, as moved today, are likely to produce, perhaps not a return to the old plan of pooling as was permitted by law, but a way will be found to take advantage of those methods now employed for handling cars and the business of railroads which have proved efficient. So, in the times which are to come plans will be considered for the development of the railroads, far-reaching in effect and which will have an important bearing on the value of the outstanding securities of the carriers and also on future issues of securities made by them. An important duty of this Association will be to watch the progress of events in order that the holders of the securities we represent may be protected, and, through this Association, can take part in the working out of such plans. So let us prepare now for the change, which I believe will be for the better, that is to come over the greatest of all business enterprises, with the greatest aggregation of securities and do our part in protecting those who own them.

Permit me to thank the Chairman and members for the opportunity which you have afforded me of appearing here.

MR. WARFIELD (continuing): Gentlemen, in thanking you for the time you have given me—I believe I have not exceeded the ten-minute limit—but we are getting the most extraordinary support from the great insurance companies of the country. Every one of the great insurance companies in New York has come in or is coming in. The Equitable has paid its dues, \$5,600, for the year. The dues will run as high in some cases as \$7,000; so they value the services we can render them. It will be the first time in the history of the country that they have ever sent out printed matter to policy-holders, circulars, which did not relate to their own affairs.

THE PRESIDENT: Gentlemen, we feel very grateful to Mr. Warfield for his interesting remarks, and our interest in them is due to the vital relation which his subject bears to every one of our institutions. I think it will be in order if we should pass a resolution approving of the formation of this association for the protection of the owner of railroad securities, absolutely free from political bias, and that we recommend to the individual members of our Section that in so far as it may be practicable they may join this association.

MR. WOODRUFF: I make such a motion. (Seconded.)

THE PRESIDENT: You have heard the resolution introduced by Mr. Woodruff, of Atlanta. It has been seconded. Are there any remarks? Is there any additional information which anyone desires about the motion? If not, those in favor will say "aye." Opposed, "no." Mr. Warfield, you are thanked.

MR. S. DAVIES WARFIELD: On behalf of your Association, I wish to thank you, gentlemen, for the resolution you just passed.

THE PRESIDENT: The next is a report of the Committee on Legislation, and the report of the Special Committee on Legislation, both of which will be presented by Mr. Uzal H. McCarter, the Chairman of those two Committees. Modesty prevents me making those reports in person, so I will ask the Secretary to read them.

THE SECRETARY (reading): "Your Committee has nothing to report at this time except that its activities were taken over by the Special Committee on Legislation, the report of which will include the work of this Committee.

Respectfully submitted,

UZAL H. McCARTER, Chairman.

"Dated, September 26th, 1917."

(Motion made, seconded and carried, that the report be received and filed.)

THE SECRETARY: I will now read the report of the Special Committee on Legislation.

THE PRESIDENT: Before we read that, I would like to say that the other report is one of the few dividends you will get out of the Association. You will get a twenty per cent return.

MR. MASON: Not to non-subscribers?

THE PRESIDENT: Not to non-subscribers. But there are more than 500 members in the room here, and everyone is a subscriber.

MR. MASON: I move the report be accepted with thanks, and I would like to say that very few people realize the great work Mr. McCarter has given to this thing. He has served us night and day, and he does very good work at night, and I commend him to the Association.

Report of Special Committee on Legislation, by Uzal H. McCarter

[The report of this committee is printed on page 181.]

Report of the Committee on Protective Laws

[We publish this report on page 181.]

PRESIDENT McCARTER: Gentlemen, you have heard the report of the Protective Laws Committee. What is your pleasure with it?

MR. BLANK: I move it be received and placed on file.

PRESIDENT McCARTER: It has been moved that it be received with the thanks of the Association and that it be filed. It is so ordered. The next report will be—

Special Committee on Federal Reserve Act, by John H. Mason, Vice-President

[This report appears on page 180.]

PRESIDENT McCARTER: The report of the Chairman of the Special Committee in reference to the Federal Reserve Act should receive more attention at the moment. The committee have been very efficient in their efforts to harmonize existing conditions and have been very potential in bringing about some of the amendments which were so largely desired and which have been enacted into the law. Those in favor of adopting this report and ordering it to be filed in the Association will signify. It is so ordered.

Report of Special Committee on Publicity, by James M. Pratt, Vice-President, Guaranty Trust Co., New York

[This report is given on page 181.]

PRESIDENT McCARTER: It has been moved and seconded that the report which you have just heard be received and filed. I desire to say that as the result of this report, the Executive Committee recommended to the convention that this committee be retained in power, as they have some thoughts as to the working out of the details of this report, and the committee may be of service to the members of the Association in furnishing advertising matter of the individual corporations to those who run a publicity department. Motion seconded.

MR. McDUGALL, Buffalo: I second it. I am very much interested in this report on commercial banking. I have been a trust man about three years. Commercial banking everybody knows about. The Trust Company's powers outside larger cities are almost—that is, the public knows very little about them. When I got into the trust company in Buffalo, I made a suggestion to the other three trust companies there. I said, "Let us plug together and advertise and it will do us all good." And I could not get them to cooperate. It seems to me that good work can be done for the benefit of all, and the advertising will redound to the benefit of the trust companies. The public as a rule do not know anything about the uses that can be made of trust companies. I take pleasure in supporting these resolutions.

PRESIDENT McCARTER: The association desires to express its great appreciation to Mr. McDougall, that during the last three years he has seen the light and come within the fold. (laughter). I have known him many years and have labored with him, and I am glad our efforts have been successful in getting him in. The result of the resolution that the committee be continued in power. If there is no objection to that, that will be the order and it is so received.

Report of the Secretary, by Leroy A. Mershon

[The Secretary's report will be found on page 182.]

PRESIDENT McCARTER: I have served the Association now for a period of ten years, and during that service I have never seen the Secretary's office in a state of such satisfactory control as it is at the moment. When you realize that Mr. Mershon has been with us practically now only one year, you will appreciate the amount of work and labor that he has performed to bring the office which had no records, or nothing to commend itself to the membership, into a state of active service; and our Association is indeed most fortunate, and I take great pleasure in bearing tribute to the effectiveness of Mr. Mershon's work during the past year, and I promise for him an increased activity and value to the membership the next year. Those in favor of accepting Mr. Mershon's report and ordering it filed will please indicate. It is carried. We will now read the Treasurer's Report.

Treasurer's Report, by Leroy A. Mershon, Treasurer

[The Treasurer's financial statement is printed on page 182.]

PRESIDENT McCARTER: What shall be done with the report of the Treasurer, gentlemen? It is moved that it be received and filed. It is carried. We will now hear from the Nominating Committee and that is McLucas, Kansas City.

Your nominating committee begs leave to submit the following report:

NOMINATIONS

For President, Frank W. Blair, Pres. Union Trust Co., Detroit.
Vice-President, John W. Platten, Pres. U. S. Mortg. & Trust Co., N. Y.

Members Executive Council—3 year term: John S. Drum, Pres. Savings Union Bk. & Trust Co., San Francisco; Solomon A. Smith, Pres. Northern Trust Co., Chicago; W. L. Hemingway, Pres. Mercantile Trust Co., Chicago; Henry M. Campbell, Chrm. Bd. of Directors, Union Trust Co., Detroit; Myron S. Hall, Pres. Buffalo Trust Co., Buffalo, N. Y.

Respectfully submitted,

W. S. McLucas, Chmn., Pres. Commerce Trust Co., Kansas City, Mo.
Judge John S. Stiles, Pres. Louisville Trust Co., Louisville, Ky.
John L. McNeil, Pres. Durango Trust Co., Durango, Colo.
M. H. Grape, Vice-Pres. Union Trust Co., Baltimore, Md.
E. L. Johnson, Pres. Leavitt & Johnson Trust Co., Waterloo, Iowa.
PRESIDENT McCARTER: Gentlemen what is your pleasure with regard to the report of the Nominating Committee? It is moved that it be received and carried out and that the Secretary cast a ballot in favor of these gentlemen. The Secretary informs me he has cast the ballot and I declare them elected.

The next business is the roll call of the States. The Secretary will call the roll of the vice-presidents, who will respond as their names are called. I want to state that after the adjournment of the meeting, which will not take place yet, the new officers and the new members of the Executive Committee, such as may be here, as well as the old retiring officers and members, will be glad to become more intimately acquainted, by shaking hands with such members of the convention as may be present.

SECRETARY MERSHON: I will now call the roll.

PRESIDENT McCARTER: I desire to interrupt the roll call for a moment. It is suggested to me that in my zeal to see that the favored few were elected that you gentlemen had no voice in the matter at all. Well, that has its advantages, but I am a little fearful of the title of the gentlemen who have been nominated. All those in favor of accepting the report of the nominating committee, and requesting the Secretary to cast the ballot in favor of their election will please indicate. The Secretary has cast the ballot and reports their election. Their title is therefore unquestioned; and inasmuch as I hate to relinquish the office, I think the time has come that the new president should assume these duties and I will ask Mr. Blair to kindly come forward (applause). (Here the president-elect arrived at the table.)

Mr. Blair, it is the pleasantest part of the duties that I have had in the service of the American Bankers Association, The Trust Company Section, to turn over the duties of President to you, who for so many years have been my warm personal friend, and to a man who has much greater ability than the outgoing president—though he is not quite so belligerent. (Laughter.) While I remain, however interested, I hope it will last during the length of my natural term of life, and I will supply the belligerency for you, and Mr. Jones will take care of the other department of that.

I congratulate you, gentlemen, in this election of your President. I know of no man during these critical times more fitted, more able to manage the affairs of this Association, and I am delighted that a man of his well-known "stand-patism"—if that is a fair term—will guide the destinies of the association during the next year. Mr. Blair, I desire to pin the official badge of the office on you and wish you luck. Here President Frank W. Blair took the chair.

PRESIDENT BLAIR: I feel that there has been conferred upon me a great honor. Any words that I could give expression to would not tell you what my feelings are, I am not going to make a speech, because it is getting along toward luncheon-time, and we have a lot of business to-morrow to do. I only want to say that if I can do one-half as well as your retiring President, I will be entirely satisfied with myself. Before proceeding I want to pin on our able and self-confessed belligerent the retiring President, the permanent badge of his office—I do not think I am going to pin it on because I cannot get it out of the box.

FAST-PRESIDENT McCARTER: I thank you very much, Mr. Blair, and I feel I would not be doing my duty to my associates on the Executive Committee if I do not report to you gentlemen the most graceful compliment I have ever received from a body with which I have been connected, in that as individuals and as personal friends, they have presented me yesterday at luncheon with a most beautiful set of studs and buttons that I have ever seen and I desire to express my appreciation to them thus publicly.

PRESIDENT BLAIR: Will Mr. Platten please step forward?
Mr. Platten, it gives me great pleasure to pin upon your coat the badge of your office. I feel that to you we should give credit for a great amount of the work done during the past year.

JOHN W. PLATTEN, New York: Mr. President, in accepting your very kind expression, I want to say that this Section is to be congratulated upon the appointment or the election of the incoming President, Mr. Blair. He has given a great deal of his time to the work of the Section. In the acceptance of this badge and also the honor of the office, I deem it a very great privilege, and I cannot say more than to earnestly thank you and pledge my very best efforts while I have the honor to occupy the position. Thank you very much.

SECRETARY MERSHON: Before we proceed with calling the roll of the State Vice-Presidents, I would call attention to the charts on the wall, which were on exhibit at the first session yesterday afternoon. They may be studied and examined carefully by all the members present. Also there is a number of books on trust company subjects, which will be of interest to the members present. Also we have received from the Federal Reserve Bank of New York, a goodly supply of blanks which were distributed yesterday, they are also available. Any members who have not registered, will they kindly leave their names either here or at the section office, and you are urged to wear your buttons in order that other trust company men may recognize you.

MR. BRECKINRIDGE JONES: In referring to those charts here, they are interesting, but can be of very little use to us after we return home, unless we can get facsimiles of them. They were prepared by Mr. Remson, and I move that it is the sense of this Section that it be requested, if possible, to arrange with Mr. Remson, so that this Section will be in possession at some reasonable cost, of a sufficient number, and furnish them to every member that asks for them fac similes, not only of those charts, but of this old will. I would like to have a fac simile of each one of them in my office; and I move that the officers of the Section be authorized or requested to make some arrangements so that any member can get them at some reasonable compensation (seconded).

JOHN W. PLATTEN: I would like to say, before the motion is put, that we spent a good deal of money last year. If the duties of the

Secretary be carried on the lines he has mapped out and put into force, the suggestion made by Mr. Jones, which I think is most admirable, yet means a little more money, Mr. President, Mr. Ex-President. We have got to come to the council for a little more money and we have to get that. Are you not forwarding the interests of the Section? You have trouble in getting our appropriations at the present time. I think it is a good thing to do, and the additional information the Secretary contemplates gathering together for the benefit of the Section will cost a little more money.

PRESIDENT BLAIR: I take it, Mr. Platten, that Mr. Jones intended to ask that those who apply, should pay for the charts.

MR. JONES: No expense to the Section.

PRESIDENT BLAIR: At the individual expense.

SECRETARY MERSHON: He misunderstood.

JOHN W. PLATTEN: I think the Section ought to do that, if it is done at all. It is valuable information, that is what we are banded together for.

MR. BRECKINRIDGE JONES: Mr. Chairman, it is just this: Those are likely to be copyrighted, but I see no reason why the Section should furnish me with a copy of those any more than of those books. Put it on the basis that you can buy something and everybody can pay for it. We do not need to vex the whole Section with it. I am perfectly willing to pay for it, either way, but I only mentioned it in that way.

JOHN W. PLATTEN: Refer it to the officers, Mr. President.

MR. JONES: I am perfectly willing.

J. W. PLATTEN: I so move the amendment.

EX-PRESIDENT McCARTER: Seconded.

PRESIDENT BLAIR: You have heard the amendment, that it is a matter to be referred to the officers with power. If there is no discussion those in favor will say aye. It is carried. Now those in favor of the original motion as amended will say aye. It is carried.

J. W. PLATTEN: The Executive Committee is in receipt of some information from New York this morning and I will read the telegram, to the effect that Senator Calder has introduced a bill in the Senate, known as Senate Bill 2908 (reading telegram). This bill is now in committee of the banking and currency section of the Senate. Will you get busy on it and have the Convention pass resolutions.

We offer as a suggestion that this preamble and resolution be considered.

WOULD HAVE RESERVE BANKS MAKE LOANS UPON SECURITIES AS COLLATERAL.

The Trust Company Section of the American Bankers' Association having learned with great interest of the bill introduced in the United States Senate by Senator Calder, under which it is proposed that the Federal Reserve Board may be authorized to permit the Federal Reserve Banks, when they deem the emergency warrants it, to make loans to member banks upon certain classes of securities as collateral, desires to record its entire approval of such proposed action and trusts that such authority may be granted to the Federal Reserve Banks.

Resolved, That in addition to expressing its approval as above the Trust Company Section recommends to the General Convention of the American Bankers' Association that it, the general convention, also approve the policy contained in the proposed legislation and urges its passage by the National Congress.

EX-PRESIDENT McCARTER: I second the motion.

MR. BRECKINRIDGE JONES: I would like to offer an amendment to that. Section 22 of the Act is a thing in my mind that is most offensive to most of the institutions. I think every member bank is practically violating it every day, and if we could add there "and recommend also that the provisions of Section 22 of the Federal Reserve Act be liberalized."

EX-PRESIDENT McCARTER: Mr. Jones, I think that what you say is exactly so, but I think it would be unfortunate to inject that at the moment. Here is one of the things that appeal to trust companies more than any other feature of the Federal Reserve Act, and will do more to harmonize it with those of us who are not doing a commercial business, than any other effort that has been introduced at the present time. The suggestion has been made and the resolution that has been offered meets with the entire approval of the President of the American Bankers Association and I trust it will pass as it has been offered by Mr. Platten.

MR. JONES: I withdraw the amendment. (Cries of Question.)

MR. GUINAN: Probably 90% of the trust companies of the United States depend more upon their banking privileges than they do upon their trust powers; in groups, in conventions, in State, and otherwise, I have endeavored to ascertain the proportion of trust companies that rely simply upon their fiduciary powers, and those that rely on the banking, and I find out that with the exception of cities of the first class, that trust companies do depend upon their banking functions, rather than upon the fiduciary power; and in our immediate neighborhood of Pennsylvania, in cities of 30,000 and 40,000, trust companies are authorized not for the fiduciary powers, rather for the functions of a bank, and banking, and the problem I think should come up among our trust companies here as to our banking functions, and as to those conditions, that we think alteration should be made to meet, that might make the Federal Reserve System more attractive to us. There is no problem in the amendments to the Federal Reserve Law that is harder than the problem that comes to you at your desk from day to day. What is needed in each of us is that spirit of confidence in our own opinions as to what we think is right and proper, to make a Federal Reserve Law one that is attractive to us. I have heard the report of the Committee on Federal Reserve Law and I have heard that they have nothing more to add. Probably that committee on Federal Reserve Law has failed to recognize that ninety-two or ninety-four per cent. of the trust companies of the United States are not really trust companies, but really banks and my viewpoint is the convertibility of assets into currency, or to credit, depending upon some mode by which this system can virtually guarantee the deposits of every member bank in the system, and will improvise a convertibility of assets, which insures and guarantees the deposit of every depositor in that system.

I heartily agree with the spirit of the resolution in the line of adding to the number of assets that might be converted. As the law stands, it is a Federal Reserve Law. It limits us simply to a certain class of paper—bills receivable, re-discount.

The essential thing from the viewpoint of national bank, state banker, or even a trust company in cities of less than thirty thousand, is to enlarge that field so that state banks, national banks, and trust companies can convert their assets into emergency currency, should the emergency arise in their locality.

PRESIDENT BLAIR: Is there any further discussion? If not those in favor will say Aye. The motion is carried.

J. W. PLATTEN: May I be pardoned for rising again? I think that the time is opportune for the section to recognize and consider and pass appropriate preamble and resolution addressed to the Secretary of the Treasury, in respect of the support that this Section and the trust companies of the country will render in reference to the next loan, such as we did prior to the loan of 1917.

EX-PRESIDENT McCARTER: I felt it was only proper to suggest to Mr. Platten that the entire new Liberty Loan will be launched by the Federal Reserve Banks and that the cooperation of the American Bankers Association, as such, is not asked at this time.

J. W. PLATTEN: I withdraw the suggestion. It was only an act on our part to demonstrate to the powers to be that we trust companies were ready to do our part.

PRESIDENT BLAIR: Before assuming the regular order of business, I want to call the attention of the members of the Executive Committee to the fact that there will be a meeting held in this room immediately after this adjournment and I ask that none of them leave.

We will next take up the complete calling of the roll.

MR. PRATT: If it is in order, may I make a motion that on account of the lateness of the hour that the further reports be handed to the Secretary and be published in the proceedings? (Seconded.)

PRESIDENT BLAIR: Are there any remarks. Those in favor will say Aye. It is carried. We have one other order of business, the nomination and election of State Vice-Presidents.

SECRETARY MERSHON: With regard to the blanks as shown on pages 9, 10 and 11 in the printed program I will read the States, showing the blanks in Illinois, Kansas, Iowa, and New York. These have been appointed or changed since this was printed. The blanks are Alabama, Arizona, Idaho, Indiana, Kentucky, Nebraska, Nevada, New Mexico, Oklahoma, West Virginia, Wisconsin, Wyoming. Nominations for any of these States are in order.

EX-PRESIDENT McCARTER: I move that there being no nominations from these various States the usual procedure be followed as the President may appoint. (Seconded.)

PRESIDENT BLAIR: Those in favor will say aye. I might say that the President will be glad to receive names from any member present. Does any member want to present any new business?

UNIFORM LAWS REGARDING WILLS.

GEORGE C. GREGORY, American Trust Co., Richmond, Va.—I do not want to take up but a few moments of the time of the Section as it is very late, but it does seem that there is one matter that should be taken up; either by the appointment of a special committee, or be emphasized and asked that the Legislative Committee pay special attention to that. There is in existence a commission known as the Commission on Uniform State Laws, composed of men from each State of the Union, appointed annually by the Governors of the States, that meet annually with the American Bar Association. The American Bar Association has a committee known as the Committee on Uniform State Laws, and together they are being operated for many years successfully. They have during the last few years gotten nine out of the States, for instance, to pass laws recognizing wills executed according to the laws of the State where the man resided at the time of his death.

You all know that if a man executes a will in the State of New Jersey, if he owns land in the State of New York or Massachusetts, his will will have to be executed according to the law of Massachusetts and New York also if he wishes the land in those States to pass under that will. If it is not, the land will pass by descent and not by will.

It does seem that a committee on uniform laws of this Association, co-operating with the commission appointed by the Governors, the other committee, would redound to the benefit of this session.

Now, in the last meeting of the Bar Association Committee, they passed a resolution recommending to the Legislature of the various States, that they pass laws requiring any probated wills in the State where the land is, that they go through the same procedure of notice and approval of wills that they have to go through, where they have originally probated the will, and they require that even the State in which the will was originally probated, did not require notice. If a will were probated in the State of New Jersey according to the law, and was executed and attested according to the laws of New Jersey, that they should receive full faith and credit throughout the United States.

It is not convenient for the President and Secretary of a New Jersey corporation to have to go to California to prove a will, or to qualify on an estate.

In a recent case in Virginia—we had a case in Alabama, a Vice-President and Secretary of the company had to go in person twelve years after the man died, to re-prove the will in the State of Virginia. Now, that is exceedingly inconvenient.

There are a great many matters with reference to the attesting clauses of wills and probate, that it does seem to be specially investigated by a sub-committee. I appreciate the fact that the Legislative Committee is fully competent to handle the matter, but if with the varied matters that come before them, this should be submitted to a sub-committee, and let that committee have nothing to do except to formulate the laws, or to get the several States to pass uniform laws, to the end that it will encourage people to go before the trust companies and make their wills, and make it easier for them to probate after.

JOHN W. MASON: I move the matter be referred to the incoming Executive Committee.

JOHN W. PLATTEN: I think the suggestions are excellent and, on the motion of Mr. Mason, I very heartily second it.

PRESIDENT BLAIR: Is there any discussion? I might say that if my memory serves me right the General Convention of the American Bankers Association thought in its wisdom a year or two ago that it would not do for any section to appear before, or have a committee appear before any State Legislature, or in the interests of any special legislation, that the thing was put through when there was only one member, I think, of the Trust Company Section present at the meeting and nobody was given a chance to vote on it. It was put through in much the same manner as the election of officers was today for the first time. However, I think that we can do some good by bringing the matter to the State Legislative Committee of the American Bankers Association.

GEORGE C. GREGORY: May I add just one word? The way the American Bankers Association is to work it is to have a committee to report back to the committee at the next session and recommend certain laws that should be passed, if in the wisdom of this body it should be passed, that are referred to the State committees, but it is a recommendation to the committee as to the uniform laws. You may have sub-committees, and it is to guide the whole country, with a clearing house as to what laws should be enacted for the whole country.

PRESIDENT BLAIR: Gentlemen, you have heard Mr. Mason's motion, supported by Mr. Platten. It is carried.

MR. MASON: I would like to move we adjourn.

PRESIDENT BLAIR: Just a minute, the Secretary wants to make one statement.

SECRETARY MERSHON: The new Vice-Presidents whose names appear in the back of the book, as well as the old Vice-Presidents, will be welcomed here briefly by the Executive Officers when the reading is over.

PRESIDENT BLAIR: If no one else has anything to offer, the meeting will stand adjourned.

(Meeting adjourned 12:45, Sept. 26, 1917)

SAVINGS BANK SECTION

AMERICAN BANKERS' ASSOCIATION

Sixteenth Annual Meeting, Held in Atlantic City, N. J., Sept. 25, 1917

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War Savings in Great Britain

AN ADDRESS BY BASIL P. BLACKETT, C.B., of the British Treasury.

I greatly appreciate the honor which has been done me by the Savings Bank Section of the American Bankers' Association in asking me to address them on the experience of Great Britain in regard to War Savings, and I am particularly glad to have this opportunity of addressing influential bankers on the subject.

I have had the privilege of being closely associated with the War Savings movement in Great Britain since its inception. The subject is very near my heart, and I believe it to be of exceptional importance not only for the winning of the war but also for the welfare of the world after the war, when it is the comfort and hope of mankind that a new and better world can be built up, hallowed by the sacrifice of life and well-being which the war has brought upon us. Such a reconstruction will involve a plentiful supply of capital, and there is no way in which capital can be made available except through saving.

I propose to divide my address into two main portions. In the first I shall try to show the importance of saving. In the second, I hope to tell you something of the methods and results of the War Savings movement in Great Britain.

I

How is the war paid for? A full answer would involve a treatise rather than a short address. I ask your indulgence if what I say strikes any of you as unduly dogmatic, as may well result from my attempt at brevity.

How is the war paid for? It is not enough to say that it is paid for either out of taxation or out of the proceeds of Government loan issues. For the question arises immediately: How does the nation at war manage to provide the sums required from it by the Government in the form of taxes or loans? The banker will perhaps answer that the Government's own expenditures provide the funds, owing to the large sums of money which it expends on war requirements of all sorts, such as pay for the sailors and soldiers, separation allowances for their dependents, wages for the countless numbers of men and

women engaged in producing food and munitions, profits for the manufacturers engaged on Government work, and so forth. The Government, it is said, begins by borrowing money temporarily in some form or other, then uses the funds obtained to meet its expenditures, and the money flowing back into the deposits of the banks and the pockets of the people becomes available there to pay taxes or to be used as subscriptions to war loans. Now it is perfectly true that the continuous circulation of money is an essential part of the machinery for the financing of the war, but if we are to deal satisfactorily with our question, we must get away from our habit of thinking in terms of money. Money is, after all, only a token generally recognized by civilized people as representing in the hands of its owner the power to command goods and services from others—power to make other people work for him. If I am hungry and happen to possess an orchard with ripe apples in it, I can go into the orchard and pick some apples and eat them. If I don't possess the orchard but have a dollar in my pocket, I can go into a store and buy some apples. Chronologically, in point of time, other people have planted the apple tree, tended it, picked the apples, shipped them, and put them on sale in the store before I spent my dollar, but logically, by spending my dollar I make other people do for me all the work needed to produce apples and put them on sale at a store within easy reach of me. Spending money, in fact, means making other people work for me.

The British Government is spending something over \$30,000,000 a day on the war at the present time. (I take for purposes of illustration the expenditure of the United Kingdom on the war, as I am more familiar with the figures, but what I say is equally applicable to the expenditure of the United States.) In other words, the British Government is making people work for it to an extent which, measured in money, is equivalent to an expenditure of \$30,000,000. The British Government is getting the labor and services and materials, or, in the short phrase which has become a familiar one in England, is getting "goods and services" valued at the fig-

ure of \$30,000,000 a day. Incidentally, one result of the war has been that the amount of goods and services obtainable for an expenditure of \$30,000,000 a day is considerably less than the amount which such an expenditure would have secured before August, 1914, but this is another matter, and is not directly in point now, though it would be in point if the question we were asking were: What is the ultimate cost of the war?

The important thing is not the number of dollars or pounds sterling or francs which the belligerent governments are spending, but the goods and services which they command. It is the securing of the goods and service which is the real problem. If the goods and services are secured, the war is being paid for. If the Government cannot undertake a particular military enterprise or cannot obtain particular munitions which it requires, it is often said that this or that is not done because the Government cannot pay for it, or cannot afford it. What is really meant is that the goods and services required cannot be secured. If the war is to be fought and won, the essential thing is that the necessary goods and services should be secured, and it is to the securing of these goods and services that the Government devotes the proceeds of taxes or loans for war purposes. Where does the British Government get these goods and services? The British Government has obtained the greater part of the goods and services needed from the people of the United Kingdom, but it has also obtained some of them from people in other parts of the world. If goods and services are to be available for the Government for war needs, it is necessary that the goods and services which the people in the Kingdom can command for their private use should show a surplus over those which they are using up in satisfying their own private needs. Taxation has the effect of practically compelling people to see that there is such a surplus. Inviting the people to subscribe to war loans tends to encourage them to provide a further surplus.

When people lend money to the Government, they provide the money needed to pay for their subscription in various ways. The best way is that they should deny themselves comforts and luxuries, and instead of using their money to command goods and services for themselves they should go out of the market for them and not compete, but hand over the power to command these goods and services to the Government, which uses them for war needs. A second way of providing money for subscriptions to war loans is to sell securities. What is the effect of such sales? Here we must distinguish between the sale of securities to purchasers at home, that is, in the case of Great Britain, the sale of securities by one citizen of Great Britain to another, and the sale of securities by a citizen of Great Britain to a citizen of another country. If I sell securities in order to invest in war loan, and the purchaser is a fellow citizen of my own in Great Britain, all that happens is that my fellow countryman transfers to me his command over certain goods and services, and I, in turn, hand my power to command these goods and services over to the Government in exchange for a Government I. O. U. The amount of goods and services available in Great Britain for the use of the Government in fighting the war is not increased, but the man who has bought the securities from me has given up the potential command over goods and services available in the country, and I have made sure that the Government has obtained command over them. A further result is that the buyer of the securities cannot subscribe for shares in a new company that is intending, shall we say, to build a cinematograph theatre, and the promoters of the company find it so difficult to obtain command of goods and services that perhaps they drop the proposition. Selling securities for the purpose of subscription to a loan has its uses, therefore, but if the buyer is a fellow-countryman the quantity of goods and services available for the war is not increased.

Now let us suppose that the buyer of the securities lives outside the United Kingdom—shall we say in the United States? This process has been very evident during the war. What happens? Clearly, the first thing that happens is that the buyer of the securities has transferred a command over goods and services in America to the seller, and the seller by using the money to subscribe to a British War Loan passes on that command over goods and services in America to the British Government. So long as the United States was neutral, this meant a definite increase for the Allies of their command over goods and services for the purposes of the war. The British Government was not compelled to use its power in the United States because through the medium of the exchanges machinery was available by which it could get that power exchanged into a power to command goods and services in any part of the world. In practice, however, the expenditure of the Allies in the United States has been so large that this operation of selling securities to citizens of the United States has been an essential feature of the process by which the Allies have obtained supplies in America. A similar command over goods and services in places outside the United Kingdom results from any surplus that may exist over the export from Great Britain of goods or services (the simplest illustration of an export of services is obtainable from the activities of the British mercantile marine) over the import into Great Britain of goods or services for the private gratification of the population. Unless the private exports exceed the private imports, there is no increase in the goods and services available for the Government. There may be a useful exchange enabling the British Government to use goods and services in England, but there is no actual increase in the aggregate amount of goods and services available.

Strictly speaking, therefore, there have been only two sources from which the British Government has been able to secure the goods and services it has needed for the war. These two sources are the surplus of production at home over private consumption at home of goods and services in the widest sense, and the sale abroad of assets which have represented the fixed capital resulting from previous similar surpluses built up in the years before the war. In other words, the British Government has had to pay for the war, either out of new savings effected by its nationals or out of the proceeds of the transfer of past savings to the inhabitants of other countries.

It may be argued that there is a third source from which the war can be paid for, namely, the anticipation of future savings. It is quite true that part of the cost of the war can and must ultimately be met out of future savings, but the goods and services which are going to be provided at some future date are of no use on the battlefields of France or Belgium. When the British Government issues a war loan at home or borrows money in the United States, it obtains goods and services now on the credit of the expected capacity of its nationals to produce future savings. When, as in the case of the Anglo-French loan, belligerent governments obtained money in the United States on the strength of their promise to pay, without collateral, the borrowing governments were exchanging the future savings of their nationals for the present savings of the people of the United States. When, however, the British Government borrows on a loan secured by collateral it would be at least as true to say that what it is exchanging for the new savings of the people of the United States is not the future savings of the people of Great Britain but their past savings represented by the collateral. Again, there are various banking devices for creating credit which have somewhat similar results, that is, they serve to secure the use of present savings on the credit of future savings. Ultimately, the borrowing governments will have to take from their nationals by taxation a part

of their future surplus of goods and services produced over goods and services consumed, and hand these over to the lenders, whether they be their own nationals or whether they live outside the boundaries of the borrowing governments. This is a matter of domestic arrangement between the governments and their nationals. The lenders now, whether at home or abroad, will of course be better off than those who have spent their money instead of lending it. But in providing for the needs of Britain during the war the only things which count are the present savings of Britain and such past savings as can be exchanged for the present savings of others outside Britain.

The gospel of goods and services is the gospel which, in season and out of season, the National War Savings Committee has been preaching throughout Great Britain for the last eighteen months. The war can be paid for only out of savings.

So long as the United States was not a belligerent, the goods and services at the disposal of the belligerent governments were definitely increased by the sales of securities to America, or by loans in America. It is still possible for the United Kingdom to sell and for the United States to buy securities previously held in the United Kingdom, and the Government of the United States is, of course, making large and liberal loans to Great Britain and others of the Allies. But now that the United States is a belligerent, this process has become a mere transfer of the command over goods and services from one belligerent to another. It does not in itself increase the goods and services available for the Allies, including the United States, in fighting the war. In other words, now that there are scarcely any neutrals left, the time has come when the war must be paid for out of new savings, and new savings alone. The citizens of the United States of America can sell securities to each other, and they can buy securities from Great Britain and France, but in doing so, while they may be assisting greatly in making the machinery of finance do its work, they are not providing new goods and services for the war. The problem for those who are fighting the battle for freedom and self-government and the upholding of public right in the world is to bring to bear all their resources that can possibly be set free and use them to win the war. These resources cannot be increased by any juggling with finance. It does not matter to the gunner whether the shell which he is firing cost half as much or twice as much as it would have cost in 1913. What matters is that he should have the shell. If the number of shells available is increased, he is better able to do his part, and the lives of the infantry in the trenches will be saved. The only way to increase the number of men and guns and shells and supplies available at the front to win the war is to reduce the competition of private individuals for the goods and services which the belligerent governments require for war needs. This can only be done by increasing production of the things which are necessary, and reducing the consumption of everything else.

II.

It was not until January, 1916, that the British nation really tackled the war savings problem. It is most refreshing to see that in eighteen weeks of war the United States has in this matter already advanced to the point that the British nation had reached after eighteen months. The entry of the United States into the war has practically eliminated such value as past savings possessed for providing goods and services for the war. Everything now depends on new savings, and the United States, I am sure, is not going to be behind hand in producing new savings.

The story of the work of the National War Savings Committee in England and Wales is one of which we are rather proud, subject always to our confession that

we were very slow in starting on this necessary work. In one sense, the whole campaign of the National War Savings Committee can be summed up in the statement that it has preached by all means in its power the gospel of goods and services. It has adopted all sorts of expedients to bring home to the people the economic arguments outlined above to show that the war must be paid for out of new savings; that every cent of private expenditure which is not really necessary for health and efficiency involves a diminution of the goods and services available for winning the war. Extravagance and waste are treason in war time. In the words of Mr. Lloyd George: "Extravagance costs blood—the blood of heroes." It may sound an astonishing claim, but I do seriously contend that the National War Savings Committee has actually succeeded in bringing the doctrine home to the bulk of the people. I do not say that there is not still much wicked waste, but the vast majority of English men and women are now organizing on a war basis—are devoting all their energies to that little bit of the war machine in which they can be useful, and are avoiding waste and self-indulgence for the sake of the sailor on the sea and the Tommy in the trenches.

The facts had become so obvious by the time the National War Savings Committee started, that, looking back one can see that success was inevitable, if only the necessary work was done in explaining the facts everywhere. On the one hand, the workers of the country had never been so well off. Wages had increased generally, and for the time being, at least, they had increased faster than prices. Many more members of the family than in peace time were earning money, so that the family as a unit was much better off. Some of the extra earnings were being wisely invested in better food and better clothes for the children, but there was unfortunately a terrible amount of useless and wasteful extravagance. The cheap jewelry trade was booming, and it was obvious that but few of the workers were using the chance of their life to secure permanent improvement of conditions by putting by some of their extra wealth against a rainy day. The state was thus being called upon at one and the same time to provide goods and services for the war and to provide extra food and luxuries for masses of the people over and above what they had demanded in peace time.

There was an obvious shortage of labor and materials—a shortage of ships and men to build ships—a shortage of equipment at the docks and of labor at the docks—a shortage of railway wagons and of the men to drive the engines—a shortage of farm labor and coal and miners—a shortage of many materials required from abroad. The workers of the National War Savings Committee have gone up and down the country pointing to this shortage and explaining its causes. They have enforced the lesson of patriotic abstention from self-indulgence which employs labor and material when labor and material are short for war needs. They have afforded facilities for co-operative saving and organized local effort so that every man, woman and child, whether his or her income were small or large, could by increased production and reduced consumption help the national cause.

It was uphill work at first. England has always regarded saving as a mean sort of habit, proper only to Scotland. Perhaps I may venture to illustrate this by one of the countless stories bearing upon this Scottish virtue. A Scot who was visiting London was taken by his friend to an Episcopal church. They arrived early, and the Scot spent the time examining the prayer book. Suddenly, he nudged his friend excitedly. "Come awa', mon," he said. "Come awa'. It's awfu'. Look at this book—see what it says—on one page after anither, 'Collect,' 'Collect,' 'Collect.'" The war has, I hope, altered the English sense of values in this respect!

The cry of "Business as usual" had taken a firm hold, and on all sides one heard the argument that the one

thing to do was to keep money in circulation, and so do good to trade. Moreover, the National War Savings Committee adopted methods which were not altogether liked. Our first action was to try in some striking way to bring pressure to bear on the well-to-do, so that they might understand the need for saving, and set a good example to their fellows. There was an unfortunate idea that our campaign was directed entirely against the poor, and the poor resented it. Our experience has been that where the well-to-do have set the right example, the results have been amazing.

We hit on the plan, drawing a lesson from the recruiting campaign, of placarding London with posters which, in the words of our first annual report, "provoked and stimulated discussion of the economic problems of the war." This is a mild way of putting what really happened. We had at our disposal an immense amount of poster space given free by the Government Departments and by patriotic citizens, and we covered them with such posters as the following:

"Bad Form in Dress
To Dress extravagantly in wartime is
not only unpatriotic—it is
bad form."

or, again,

"Don't ride a motor-car for pleasure."

the result of which was to make the timid motorist fear attacks on the high-road from the indignant and patriotic proletariat.

Naturally, the opposition of tradesmen throughout the country was aroused, but, what was worse, many of our serious-minded friends thought themselves compelled by their consciences to give us the cold shoulder. They sympathized keenly, they said, with the necessity for encouraging savings, but they could not have any connection with an organization which adopted such undignified and "American" methods. But the gospel prevailed, thanks to three things in the main: the real patriotism of the country, the devotion of a host of voluntary workers, and the war savings certificate.

I will deal with the war savings certificate first. You probably all know what it is, but you will perhaps excuse my dilating on its merits. The war savings certificate is sold for 15 shillings and 6 pence, say \$3.87½. It can be obtained at any post-office and at a great many other places. The holder can get cash for it at a few days' notice whenever he likes. If he cashes it within a year of the date on which he bought it, he gets his money back and nothing more. If he cashes it immediately after the anniversary of the date on which he bought it, he gets 15 shillings and 9 pence for it, that is, with an addition of 6 cents to the purchase price. If he cashes it thirteen months after it was issued, he gets 15 shillings and 10 pence, that is, with 2 cents more for the extra month, and so on for each extra month of its currency he gets an extra penny, or 2 cents. After it has been out for two years, it is worth 16 shillings and 9 pence, say \$4.18, and after it has been out for five years he gets a pound, or say \$5, for it. The rate of interest, if the certificate runs for the full five years, is about 5¼% compound. There is no liability for income tax or super tax, an attraction which was very important for people who are paying 5 shillings in the pound, that is, 25% for income tax, and a further 10 to 15 per cent. for super tax. So great was this attraction that it became necessary to fix a limit of 500 to the number of certificates which might be held by any one individual. We were kind, however, to the suffragettes and to the wives and children of millionaires in that we allowed each member of a family, irrespective of his or her income, to hold up to 500 certificates.

The certificates can only be held by individuals. Corporations or firms as such cannot invest. They are not negotiable, so that if a man wants the money he must cash the certificate. This form of government security

has proved immensely attractive to the small investor (whom I purposely leave undefined). It offers him absolute security for his capital without market fluctuations. He is not bothered (and the Government is not bothered) with the issue of half-yearly interest warrants or the preparation of half-yearly coupons for infinitesimal amounts, which cost the Government a great deal to issue and are of no use to the man whose sole capital consists of a few war savings certificates. The holder feels that his money is growing and accumulating for his benefit when he wants it, and that he will get his capital back after the war or when a rainy day comes, with a substantial addition for interest. The working man in England dislikes a bearer bond because he does not know where to keep it and has no safe in which to deposit it. His war savings certificate, while it represents to him his capital, cannot be stolen from him by a friend or burglar or wife. The attractions of the war savings certificates have been widely brought to the notice of the public by various means. In addition to the "crime" posters which I have already mentioned, we covered London and some of the provincial cities with posters explaining what war savings certificates were, and how they could be got. We had one poster, which you copied in America, which was very effective:

"124 Cartridges for 15/6.
and your money back with compound interest."

This brought home to the girl in the munition factory how she could help her boy at the front. By buying a war savings certificate she could at one and at the same time provide her boy with cartridges, provide the Government with money for which to pay for making cartridges, and put by a nest egg for herself against the day when he and she settled down as bride and bridegroom. This was a clear demonstration of the gospel of goods and services.

But we did not rely solely on the war savings certificate and its merits. We set to work to organize the country, and have established local war savings committees covering the whole area of Great Britain. There is a separate organization in Scotland which started later in the day, but has followed the English methods with great success. At the present time there are about 1,500 local War Savings Committees in England and Wales, that is, one committee for every 24,000 of the population. I do not know the exact number of committees in Scotland, but there, too, the whole area is covered.

These committees are autonomous bodies, paying their own expenses, in direct correspondence with the National Committee at headquarters and relying on its advice, but not subservient to it. The members of the local committees are representative of all phases of the local life. The unpaid local magistrates and officials who are such a feature of English life have played a great part. The committees are usually under the chairmanship of the mayor or the chairman of the county council or of the urban district council, as the case may be. The borough treasurer is frequently the treasurer of the committee. The secretary is a volunteer chosen from among the active local workers of the area covered by the Committee. The membership includes representatives of the trade unions, friendly societies, political clubs, women's organizations, churches, schools, local residents, etc.

The functions of the committees are twofold. Their first duty is by propaganda of all sorts, public meetings, meetings held in works in the employer's own time, drawing-room meetings, meetings in schools, churches, etc., by the distribution of literature obtained usually from headquarters, and by personal effort on the part of volunteer helpers to bring home the gospel of goods and services, and establish a strong local public opinion in favor of economy. But we have not allowed the committees to be mere talking institutions or debating societies. They have more to do than mere preaching. They have definite functions, namely, to set up war sav-

ings associations and to supervise them when they are set up, seeing that their accounts are audited, and that they keep alive.

The war savings association is the final end of the chain which reaches from the Government through the National War Savings Committee to the investing public. These are voluntary associations of people who club together to invest in war savings certificates. If thirty-one people get together and contribute 6 pence a week, that means that the treasurer has in hand each week the sum of 15 shillings and 6 pence which he can immediately take to the post-office and invest in a war savings certificate. The treasurer of a war savings association has the privilege, denied to any one else, of holding war savings certificates in blank for subsequent transfer to the name of an individual. As each member of an association increases his total individual subscription to 15 shillings and 6 pence, one of the certificates in the hands of the treasurer is allotted to the individual member. There is a certain amount of advantage to him in that he gets the certificate possibly 31 weeks older than it would have been had he set aside 6d. a week, and taken the 15 shillings and 6 pence, when finally accumulated, to the Post Office. The Government, of course, has the advantage of having the use of each of the separate six-pences from the moment when they are contributed. But the great advantage of the war savings associations is that people in co-operating and competing react favorably on each other's saving propensities. A good many associations adopt a system of weekly or monthly drawings among those members who have completed a 15/6 contribution as to which shall get the earliest-dated certificate. This introduces a little excitement, and the pleasant sensation of a little flutter.

Associations are formed in any group of people. The number of members may be as few as 15 or 20, or even less, or may be as large as 10,000. They have been formed in schools, churches, clubs, munition factories, factories of all sorts, business offices, trade unions, friendly societies, etc., etc. In one case of which I am thinking, a group of domestic servants formed the Blank Street war savings association.

Associations have to be affiliated to the National War Savings Committee in order to obtain the privilege of having a free supply of account books, members' cards, etc., and the privilege of holding certificates in blank. This affiliation is done through the local committees, which undertakes a general responsibility for the suitability of the officers of the association. The Government is in no way responsible for the cash collected by an association until it has been invested in war savings certificates, but the decentralization of the work, and the provision for monthly returns and audit through the local committee, and the interest which one member takes in another member's doings in a small community, have been sufficient to prevent any trouble with defaulting secretaries or treasurers.

A great many of the associations are inside works and firms' offices, where the pay clerk does most of the active work of collecting the subscriptions, and the employer frequently encourages the efforts of his employees by promising them the first sixpence or the first shilling, or the last sixpence or the last shilling towards a war saving certificate. We have been careful, however, throughout to secure that the war savings associations shall be run by the employees or the workmen themselves, and not by the employer, as we have found that too much interest by the employer tends to make the workman suspicious. He sometimes thinks that if he is known to have saved a good deal the employer will think that he is overpaid. The safeguard against this suspicion is the fact that once the war savings certificate is in the name of the workman no one knows whether

he has cashed it or not. As a matter of fact, the total number of war savings certificates issued during the sixteen months from the date they started to the end of June, 1917, was over 110,000,000, and of these only 1,500,000 had been cashed, and more than 500,000 of those which were cashed were cashed by people during January and February, 1917, for the purpose of taking up 5 per cent. war loan. As may be imagined, the War Savings Organization did invaluable work throughout the country in the War Loan campaign, but I have no time today to speak of that.

The number of war savings associations in existence at the end of June, 1917, in England and Wales, was 35,000, that is, one for every 1,000 of the population; and there are 5,000 or 6,000 more in Scotland. I do not know the exact membership total, but it certainly exceeds 5,000,000.

In addition to providing war savings certificates for those who subscribe by instalments, many of the war savings associations and nearly all of the local war savings committees act as postmasters for the purpose of selling whole certificates. Experience has taught us that there cannot be too many places at which certificates are sold. People will take a certificate if it is offered them on the spot, but 15/6 is apt to dwindle away if it accompanies a man for a walk of even a quarter of a mile to a post-office.

From the elaborate machinery which I have described, it might be inferred that the greater part of the subscriptions for war savings certificates come from the associations. As a matter of fact, at the present time, about one in four of the certificates bought is bought through an association, but there are still a great many people who are shy of co-operating in so mean a vice as saving, and prefer to do it without the knowledge of their fellows by going to the post-office or other agent for the sale of the certificate direct. The value of the work done by the war savings committees and associations is therefore even more important in regard to the encouragement of the general habit of saving and lending money to the Government than it is in regard to the provision of facilities of investment by instalment.

I should like also to emphasize a further point. The National War Savings Committee in their organization have refused to regard themselves as being wholly, or even mainly, a bond-selling institution. They have regarded as their first function the task of encouraging saving. They have, of course, encouraged people to lend their savings to the nation, but provided the savings are effected they do not much care how the savings are kept safe, provided that they are not simply hoarded. It is a remarkable fact that in spite of the special attractions of the war savings certificate, and of the large sums—nearly \$500,000,000—invested in them, the savings campaign has given an impetus to every one of the older institutions for encouraging savings. The Post Office Savings Bank, the other savings banks, the building societies and other co-operative societies, all show record increases in their deposits, and those responsible for them have, in consequence, nearly all been hearty and valuable workers for the War Savings Movement, though at first their fear of competition threatened to cause much difficulty.

This last point is one which should appeal specially to an audience of bankers. The War Savings Movement has in the first place increased savings banks deposits during the war. Still more important, it is educating a vast new army of future clients for savings institutions after the war. Finally, it cannot fail to be of enormous significance in the future state of England that one in every four of the population, at the very least, is a direct holder of Government securities.

The Economics of War Saving

BY EUGENE E. AGGER, Professor of Economics, Columbia University

Our Government is confronted with the necessity of raising stupendous sums. At present the estimates vary, but there are few who put the cost as low as ten billions per year, and there are many who believe that we shall be lucky if we get off with from fifteen to twenty billions. Modern warfare is costly. To the pronounced pacifist it is like going on a gigantic spree—useless as well as costly. Be that as it may, we know that the sums demanded are now beyond human comprehension. I saw a statement the other day that nine billions of dollars represent nine dollars a minute for every minute since Christ was born. Bankers are supposed to be handy with figures, so I leave you to test the validity of this calculation. At any rate we know that the sums are large enough.

But on examining the matter a little closer we see that behind the money lies something else. In first instance the Government wants money, but what it really wants is ships, supplies and equipment for the army and navy, guns and munitions, and a host of other specialized forms of wealth which are essential to that highest development of black magic, namely, modern warfare. The money is simply a means to an end. The Government, like everybody else, is really interested not so much in money itself as in what money will buy.

So accustomed are we to deal with money in all our economic discussion that the real inwardness of the whole economic process is oftentimes obscured to our vision. Yet in no field is clearer insight into the fundamental economic process more indispensable than in that of war finance.

As we observe the economic life about us the one motive which, apparently, obsesses everybody, is the desire to make money. Of course, we have to interpret this properly, because only a few people not in the employ of the Government attempt to make money in the sense of manufacturing it, and they are forced to carry on their industry under very trying and discouraging circumstances. But we all like to make money in the sense of adding to our incomes, because the greater our money incomes the more of the real goods of life we can command.

Our present economic system is usually spoken of as the "money economy." This means simply that all the important aspects of our economic life are weighed and measured in terms of money. Costs and receipts are money costs and money receipts. Money profits and money losses determine success and failure. The farmer is interested in the number of bushels of wheat he can harvest, but he is more interested in the money return that he is going to get for his wheat. Practically every business man, no matter what his special line, has the same outlook. The particular goods produced in any business today are simply a means to an end. They enable one to make money.

This pursuit of money income by everybody has controlled our whole economic development. We note in the economic world about us a marvelous specialization. Some of us are bankers, some merchants, some manufacturers, and so on. What authority has decreed all this? No authority is responsible. Every individual is presumably looking out for A No. 1; is trying in his business activity to get as large a money income as he honorably can. Yet, by and large, the individual can get the largest return for himself only by serving the rest.

How does it work? Well, directly or indirectly, everybody today is producing for what we call a market. There are mighty few people of this day and generation who would make satisfactory Robinson Crusoes. There are few who could make for themselves the shoes, clothing, food, etc., which they need. There are some so inept with tools that the only nail they can hit with a hammer is that on their thumbs. Instead of making things for ourselves we buy them. In like manner we get the money with which we buy from the sale of our own goods or services in the market. The amount of our purchases is obviously limited by our income, or in other words, what we can afford to buy depends upon what we can get in selling our own products or services.

Our incomes are, of course, rarely as high as we should like to have them. But the higher the value that the market places on our goods or services the greater, as a rule, our incomes will be. That is why the farmer is so greatly interested in the price of his wheat. What causes high value? We explain values or prices in terms of demand and supply. A large demand relatively to supply means a high price. With the price of his product high the fellow with a big supply on hand can get a big return for himself. Caruso gets \$3,000 per night. A day laborer not working on an army cantonment may have to work four years to earn an equal sum. Why? Not because Caruso's labor is more intense, but simply because there is only one Caruso and the demand for tenors is great. Day laborers are more plentiful.

Behind the process of buying and selling for money there is, then, the exchange of goods. Back of the strain and haul of competition in the market where ends are calculated and success is measured in terms of money there is really being carried on the process of producing all the real goods that humanity needs or thinks it needs for its welfare; and at the same time there is a division of these goods among those who in one form or other have had a hand in the process. Control is exercised through prices. If demand for a given thing is great, its price goes up. But with advancing price production is stimulated until a point is reached where further increase or output does not seem worth while. Competitive buying and selling is thus the great disciplinary force which we have come to depend upon. If we try to make what the world does not want, we are simply left with our products on our hands.

Ours is, then, an economic system based upon exchange in the market. What effect has war? Fighting men are withdrawn from production. They must be cared for. Food, clothing and shelter would, of course, be necessary in any event, but there is a tremendous change from the point of view of the kind wanted and the place at which wanted. A corresponding re-ordering of the system of production is necessary. Similarly there is a new demand for ordnance and munitions, motor trucks and field equipment, medicine and hospital supplies, and hundreds of other specialties. How can the Government get these produced?

Two ways present themselves. The Government could conceivably commandeer all existing stocks, and perhaps through compulsion, force the production of the additional supplies needed. No government on earth, not even that of our friends, the enemy, is today strong enough to "put over" such a program. Hence reliance must be placed mainly on the second method, namely, taking the system as you find it, and offering prices high

enough to induce the necessary production. Of course, the pecuniary motive is usually reinforced by patriotic emotion. Everybody wants to do his bit. Then in some lines, as at present in shipbuilding, the need may be so palpably urgent that commandeering and something resembling forced production are accepted as a matter of course. But in the main, even in war times, the system of pecuniary control is relied upon.

A serious drawback to the simple purchasing method, and one that has a distinct bearing on the question of savings, is that individuals pursuing their own ends compete with the Government. This competition in purchasing is not so much for finished goods as it is for the materials entering into their production. Iron and steel, coal, lumber, leather and cotton are commodities fundamentally important to the Government for war purposes, and at the same time they are needed in the fabrication of the host of things fashioned to meet the wants of the multitudes in the markets. But we cannot eat our cake and have it too. We cannot expect to have all our individual wants supplied and at the same time let the Government have all that it needs for war purposes. Individual consumption must be cut down. That is the fundamental economic aspect of war savings. Saving by the individual and the transfer to the Government of the amount saved means a cutting down of the individual's purchase, a withdrawal of his competition with the Government. Curtailment of consumption by individuals means more raw materials, more supplies, etc., for the Government.

It is sometimes said that we can meet war's demands by increasing efficiency. Without deprecating in the least the call for increased efficiency it must be apparent, on a moment's reflection, that while increased efficiency is important, yet in the face of the present demand for ships, munitions, etc., there is required much more than increased efficiency in the lines concerned can possibly promise. Some lines must positively be curtailed in order that the needed lines may be fully developed. Then we hear much about "business as usual." The argument here is that unless business goes on as usual, business men cannot pay taxes and the Government will lose revenue. This sounds plausible, but it is superficial and dangerous. The Government does not want money. It wants materials and supplies. If these are to be used up in "business as usual," where does the Government come in? Business as usual must yield to the unusual demands of the war.

Assuming this to be true, how is the Government going to raise the necessary funds? Taxes and loans are the two means that present themselves. Both taxing and borrowing serve to place in the hands of the Government a fund of purchasing power. The question of taxation versus borrowing, while interesting and important, lies beyond our immediate province. Both means of raising a fund of purchasing power rely on the purchasing method of inducing the production of the real goods wanted. From the point of view of conducting the war successfully the question of prime importance is which of the two methods of raising funds will permit maximum production. Our Government has adopted what appears to be a sane combination of taxation and borrowing.

Loans may be forced or voluntary. The issue of paper money seems an easy way of raising a forced loan, and most nations have resorted to this expedient at one time or another. But it is an expedient which all experience shows to be stupid, unjust and costly.

Voluntary loans are raised through bond sales. The bonds sold by the Government may be disposed of to the general public, or they may have to be taken by the banks. The absorption of the bonds by the banks is to be avoided. The banks can normally take the bonds only by extending their credit further than would otherwise be the case. In other words, the banks simply

create more purchasing medium which is put at the disposal of the Government. But the creation of additional purchasing medium does not of itself imply more iron and coal, more lumber or wool, or more of anything else that the Government may need. All that the Government can do with the credit obtained from the banks is to go into the market, and there, in competition with private buyers, bid for the supplies that it needs. This tends to boost prices. In the long run advancing prices tend to stimulate the production of the things concerned, but for the time being the Government is forced to pay relatively high prices because of the undiminished competition of private purchasers. Furthermore, changes in prices do not affect all things alike. Salaries, wages and other fixed incomes ordinarily do not advance in rapid response to rising prices, and the recipients of these incomes are therefore made to suffer.

Credit extended by banks to private individuals might be curtailed to exactly the degree that it was made available to the Government. This would appear to represent no net inflation. But the result of such an arbitrary curtailment of credit to private business would be disastrous, and not unlikely, to some of the businesses on which the Government was expecting to depend. The unsettlement of confidence would be so great that the normal working of production would be disturbed. It would be like throwing a monkey wrench into the gear box.

Absorption of the bonds by the general public through voluntary saving is the only safe reliance in war borrowing. The first effect of this is to cut down the private purchasers' competition with the Government. Indeed, in this respect, if the money comes from current savings, the effect in this direction is just the same as a tax of an equivalent amount. If I save \$100 out of my income to pay a tax or to buy a bond the fact remains that I have \$100 less to spend on myself. Purchasing power that I own or control is simply transferred to the Government. My competition is diminished by the amount of involved. The only difference between paying the tax and buying the bond is that I'll grumble at the one and do the other with not a little satisfaction. Hence, while the absorption of the Government's bonds by the banks themselves tends to result in a mere addition to the available purchasing medium, by means of which the Government is thrown into competition with private buyers, the purchase of the bonds by the public out of current savings results in the diversion of purchasing power from individuals to the Government, and a corresponding diminution of individual buying. Moreover, prices and real incomes are less seriously disturbed.

Of course, it may be necessary for the individuals subscribing to Government bonds to borrow from their banks in order to pay their subscriptions, but it is one thing for a bank to make an advance to a customer for from two to six months in order to enable him to buy a twenty year bond, and it is an altogether different thing for the bank to buy that bond itself. In the one case the bank has tied up its resources for a few months; in the other case for twenty years. Moreover, in the one case an individual has obligated to curtail his consumption by the amount involved, whereas where the bank buys the bond no particular individual is responsible for curtailing his own demands, and individual consumption is not cut down until the Government uses the purchasing power obtained to outbid private purchasers.

Paying for bonds out of current savings has other marked advantages. If the war can be financed without too seriously upsetting prices and the relation between prices and incomes, the public is likely to be more interested in the war and there will be less resentment against unavoidable war costs. Similarly the possession of the first bond is a strong stimulus to continued thrift.

The immediate problem presents itself therefore in two aspects: First: How can the people be induced to

save? And, second: How can they be persuaded to offer their savings for the use of the government?

People can be induced to save only when they understand the necessity for it, and when at the same time they think the object worth while. They will buy government bonds only when their interest and their confidence in the government and its purposes is great enough to determine their choice. All this means education. The public must be educated to see that past savings represented by securities owned or by funds already deposited in the banks represent no net addition to what is wanted now. It is the savings currently made and those made in the future that are going to be really helpful. In this education our present savings machinery should be utilized to the utmost. Our savings banks have the experts who understand the problem. They have also an enormous clientele, and they are in a strategic position to make it easy for savings to continue after the war.

But the thrift campaign must be carried on with intelligence. Every possible group of savers must be appealed to not only on a basis that he can understand, but also on a basis that will interest him. A young man earning \$15 a week may not be able to buy a bond, but he can buy several ten-dollar savings certificates. Provision should be made for such certificates. Much depends also on good salesmanship. Selling bonds has much in common with selling shoes, furniture or automobiles. An ambitious automobile salesman would not offer a man a Ford if he thought that there was any chance of selling him a Packard. The job that we have on hand now is to sell bonds. We must talk bonds to the limit. When the bond issue is taken care of we can go after the smaller customers and offer them savings certificates. If we talk to a prospective bond buyer of the possibility of buying a savings certificate, the chances are that he will side-step the bond and take only the certificate. This would be stupid salesmanship.

In planning what is to be a successful selling campaign a good sales manager asks himself the question: Where does the money lie for my article? We have to ask ourselves the same question in selling war bonds. In this connection an important fact is to be borne in mind. Incomes in the United States are predominantly agricultural. Not only that, but prices of agricultural products have soared enormously in the last few years, and the farmers have benefited correspondingly. Even allowing for our wasteful system of marketing, which is unnecessarily costly to farmer and to consumer alike, the farmers' incomes have risen handsomely since the outbreak of the Great War. Since the farmers have the money they ought to be good bond prospects.

Yet there are special difficulties in campaigning among the farmers. All students of taxation tell us that in the matter of taxation agricultural incomes are

the most resistant. Few farmers keep books, and hence their own declarations have ordinarily to be taken as final in making income tax assessments. This will have an influence, even though indirect, when one tries to persuade the farmer that he ought to buy some war bonds. Then, too, the conditions under which American farming has developed has tended to make our farmers intense individualists. They are patriotic, but it is no reflection on them to say that the broad humanitarian philosophy on the basis of which American intervention in the war is justifiable seems to them a little vague. It is not telling tales out of school to say that a larger proportion of our farmers is unsympathetic toward our participation in this war than is to be found in other classes of the population. This is bound to affect the cordiality of the reception which the bond salesman is likely to receive at the farmer's hands. Again, while the American public generally has never been a security purchasing public, this has been particularly true of our agricultural population. In France we are told every peasant holds a government bond. National government bonds in this country have tended ever since the Civil War to find lodgment in the national banks, but apart from that fact, the farmer has either needed all his spare capital for improving his farm, or he has wanted to buy more land in the hope of selling at a higher price later on. Extremists have told us that the average American farmer has been a land speculator just as much as he has been a tiller of the soil. In any event security purchasing has entered but uncommonly into the farmer's calculations. The meagre subscription by farmers to the first Liberty Bond issue is an illustration of this fact. Consequently while our farming class offers the most fruitful prospect for the next bond sale it is going to be an especially hard job to bring the fruit in.

We may in conclusion sum up categorically what we have been trying to present:

1. War is costly business.
2. Behind money costs lie actual goods and supplies.
3. The production of goods and supplies is regulated through the operation of market prices.
4. War requires highly specialized production both as to kinds and as to quantities.
5. Our government is relying on the purchasing rather than the conscription method of getting its supplies.
6. The government is raising the necessary funds partly through taxes but more largely through loans.
7. In its purchasing the government encounters competition from private purchasers which competition should be cut down.
8. The government can sell its bonds to the public or to the banks but the banks would have to inflate their credit.
9. Popular subscription is the sounder method economically because
 - A. Private competition with the government is cut down.
 - B. Prices and real incomes are less seriously interfered with.
 - C. Thrift is permanently stimulated.
10. Popular subscription requires current saving.
 - A. Education is necessary to teach people the need.
 - B. Proper facilities must be provided.
 - C. Good salesmanship is essential.
11. Banks, particularly savings-banks, have special responsibility.

Banker and Farmer: Producers and Dealers in Bread and Beef

BY MYRON T. HERRICK, President Society for Savings, Cleveland, Ohio.

Several years ago the Plymouth County Trust Company of Brockton, Mass., opened an agricultural department and employed a young man graduated from an agricultural college to run it. The first report showed 30 meetings held and 1,073 farmers within the company's territory reached for demonstrations of cooking, canning and orchard work, and for pig, cattle and milk shows.

Among the direct results were the distribution of 569 high-grade pigs and 163 pure-bred cattle, the building of six silos, and the co-operative buying at wholesale of one car of fertilizer, two cars of lime, 11 cars of grain and seed, and 16 cars of hay and alfalfa, all of which was sold to the farmers at a much cheaper price than they had formerly been paying. In no instance did the company exact of the farmers for its services a higher charge than paid by its best city customers.

But the business was as profitable to the company as to the farmers. The Plymouth County Trust Company has since added to its department a young woman graduate of an agricultural college. The farmers' wives are so grateful for her helpful demonstrations of cooking and domestic science that they have paid all her expenses except salary.

About the same time the Holyoke National Bank of Holyoke, Mass., opened an agricultural department. Within the bank's territory is a stretch of tobacco, onion, and milk land 12 to 15 miles wide and 50 miles long, in which a great many of the farms are owned by Polish farmers, whose habits of industry and thrift have enabled them to crowd out the native stock.

The bank employed as its field agent a Pole, the organist of the Polish church at Holyoke. He is young, energetic and educated. He devoted his first year to getting acquainted with all the Polish farmers and with their financial needs and affairs, and in finding out the facts and figures about themselves and their properties, so as to determine their credit ratings. He also told them about the principles and objects of banking, and in particular about the advantages of dealing with the Holyoke National Bank.

The greatest want of these Polish farmers was ready money, with which to get cash discounts for fertilizer and to live from harvest to harvest, in case they wished to hold their crops for good prices. The bank supplied the money. The financial gain to the farmers, after they had paid the fair interest rate, was so satisfactory that they began to borrow, not only for necessities, but also, under the bank's wise advice, for things to make their work more easy and their homes more attractive, such as motors, automobiles and modern devices of all kinds. The bank has been obliged to enlarge its agricultural department; for its rule is that no loan shall be granted unless the borrower be personally known to two or more of the bank's officers or agents.

Around Bridgeton, N. J., the land is sandy and quickly dried out. Its chief requirements for successful cultivation are fertilizer and irrigation, both of which are expensive. This retarded agricultural development, despite an excellent situation in respect to markets. A few years ago Mr. Ware, the treasurer of the Cumberland Trust Company of that city, bought a small tract, fertilized it heavily and put an overhead irrigation plant on it. He did this at his own expense, in order to test possibilities and to set an example.

Mr. Ware was more than successful. He has made over \$700 net annual profits to the acre. Other farmers who followed his example have exceeded that figure, and made Bridgeton famous. The Cumberland Trust Company has done the financing, and it stands ready to grant a loan in its locality to any person of certain prescribed qualifications who will agree to use the money according to its directions.

The agricultural activities of the Holyoke National Bank and the Plymouth County and Cumberland trust companies have had wide publicity through the press; and I take pleasure in bringing them again to your attention here. For they point a way through which almost any commercial or industrial or savings bank, outside the largest cities, may adapt itself to the aid of agriculture. These activities should be duplicated throughout the country not only because they will bring profitable business to the banks but also because they are the demonstrated means of solving the financial and many of the other problems of the farmer.

Farming in this country is still to a great extent an unorganized, unsystematic business. Bankers have not recognized the vast possibilities that lie latent in the development of efficient agriculture. But now there is more than prospective profit in the increase of production from the farms; there is the necessity of feeding our country and its Allies in a time of universal food shortage. Financial service to agriculture has become a patriotic duty, the importance of which will long outlast the war. For such has been the effect on agriculture of increasing population throughout the world, and, especially in this country, the drift of workers from farm to city, that a shortage of food had become inevitable and was only hastened and accentuated by war.

With these considerations in view, the "Society for Savings in the City of Cleveland"—a mutual savings bank chartered in 1849 of which I am president—has undertaken to do in its district a work similar to that of the banks I have mentioned. Its officers have long studied with sympathetic interest the problem of financing the farmer and the ways in which the city bank can be of service to the farmers of the surrounding country districts whose interests are one with those of the city dwellers. The new experiment is an attempt to establish such relations of mutual helpfulness between the Society for Savings and the farmers of the counties included in its loaning area.

The agricultural successes, especially at Brockton and Holyoke, sprung, it seems to me, from recognizing that the farmer has a credit value separate and distinct from that of his land, and in setting up special facilities for appraising and utilizing that credit value. We all are familiar with the real estate mortgage; it is the first thought of the banker to whom a farmer may come for money. But the mortgaging of land is an investment rather than a banking function; it is altogether too long an operation for circulatory funds.

So banks, without investment funds, upon taking a mortgage always keep in view the possible necessity of selling it, and must exact security considerably in excess of the loan in order to make it readily marketable. And the farmer, when once he has given a mortgage on his farm, rarely returns to the bank for help, unless it be for a renewal or another mortgage loan. Thus mort-

gaging interferes with banking. The stupendous existing mortgage indebtedness and the general belief that it has exhausted the farmers' credit have done much to keep the farmer and the banker apart, and to breed distrust and dislike of the one for the other, and give rise to mutual misunderstandings.

But it is among the vast army of farmers of mortgaged farms, and among tenant farmers with no land of their own, where the banks could do the most good. Such a farmer might have a fine crop, but no money for marketing it or for holding it during a drop in prices. Or he might want money for carrying himself over a bad winter or severe season, or for replenishing his stock, equipment and supplies, or for preparing and planting his farm the next spring. He could not mortgage his crop without losing his control of it, while his other personal property is perhaps too inferior in quality for mortgaging for the full amount needed. The very exigency of his affairs makes him look like an undesirable risk. Realizing this himself, he struggles along into deeper poverty and too often succumbs under some of the various forms of usury.

In spite of all this, the mortgaged farmer, the tenant farmer, and even the insolvent farmer as a rule has self-respect, a love of family, and a regard for the good opinion of his neighbors, and desires to get out of debt and up in the world. That is to say, he has all that makes for character and good standing; and this, if vouched for by acquaintances, becomes a basis for bankable credit. But how can you get the farmer to come to the bank? You cannot; you must go to him. This simple method was devised by banks in Scotland over a century ago, and has been used there ever since with such success as to become known as "Scotch credit." In Scotland the banks send agents to wherever the farmers are—to their homes, meetings and fairs; they extend credit to them upon the indorsement of friends, and, in return, require the borrower to deposit his savings with them. In this way they greatly increase their own business, while doing an invaluable service to agriculture.

This may also be the motive of the banks at Brockton and Holyoke. For their capital all belongs to private individuals who expect and must be allowed dividends. Nevertheless, the two banks are benefactors of the people to a far greater degree than if they were governmental or public institutions, because they are making a practical as well as a benevolent use of the dollar, and are putting it where it stimulates thrift and does the most good for the community. And in adopting the Scotch method, they improved upon it and added certain innovations of a marked disinterested and public-spirited nature. This they have done by availing themselves of modern developments of agricultural science, and by bringing associational action and co-operation into play among farmers.

In brief, there has evolved from these activities what

might be called the American plan—one that is easily described, but which requires intelligence, persistence, and public spirit to carry out. The plan consists in establishing a department, preferably managed by an experienced agricultural expert. The department specializes on the staple agricultural products of the bank's territory. It gathers up all available information about them and about the possibilities for improvement. It gets personally acquainted with the farmers, and acquires an intimate knowledge of their financial affairs and necessities. It explains to the farmers the simple principles of banking, and of using improved methods of finance, cultivation, and marketing. It urges each farmer to become a regular depositor, and shows him that, when this relationship has been established, he may better his condition by a wise use of his credit.

All this, of course, helps the banks as well as the farmer, and supplies the material motive that is far more effective than the perfunctory service of Government officials or the altruism of idealists and professional philanthropists. If the territory be suitable for stock-raising or stock-fattening, the bank, through its department, imports high-grade or pure-bred cattle and pigs. The great Bank of France did this same thing for ten years through one of its branches, and, without losing a cent, employed thousands of dollars in improving beef cattle in one of the districts of France. If the land and farms in the territory be worn out and run down, the bank buys fertilizer and seed. All this it sells to the farmers on time, discarding pledge and mortgage wherever it is safe to do so, and taking for security the farmer's notes indorsed, if possible, by one or more of his friends.

In addition the bank takes the lead in all agricultural affairs in its territory, knowing that soon or late it will derive benefit from any improvement of agricultural conditions. With this general object in view, the bank encourages co-operative buying and co-operative marketing among the farmers, and finances and helps to manage their associations formed for such purposes. Associational organization, or co-operation, is the only means through which the cost of living can be reduced for the consumer, without depriving the farmer of an adequate return for his products.

The only alternative to co-operative organization is public agencies aided and managed by governmental officials. But when once such a governmental agency is established, it becomes a precedent for extending state socialism still further on and on in other directions. Has not Government aid and intervention already gone far enough? In my opinion, the point of saturation has almost been reached; and I believe a wholesome reaction would set in if the banks would render all the service they are able to agriculture, and thereby show the advantages of private enterprises and co-operation over all forms of governmental institutions.

Land Banks and Savings Banks

BY LEONARD G. ROBINSON, President Federal Land Bank, Springfield, Mass.

After an agitation of five years, the Hollis-Moss rural credits bill was passed by Congress and the Federal Farm Loan Act became the law of the land, by the President's signature, on July 17, 1916.

The rural credits movement has suffered as much from over-enthusiasm as from opposition. On the one hand, extravagant claims by its friends were matched by unjust criticism by its enemies. On the other hand, obstruction was met with recrimination. Through it all the banks have not played a specially statesmanlike role. Their open hostility not only deprived them of the opportunity of shaping the course of the legislation, but their most reasonable suggestions were received with suspicion.

Opposition to Federal legislation on the subject of rural credits was largely based on the claim that our existing banking facilities adequately supplied our agricultural industry with all the credit that it needed; or, at least, all that it was entitled to. Placing the most charitable interpretation on this claim, it is evident that it expressed only a point of view based solely upon local conditions, and judged wholly by individual experiences. It was an attempt to measure this great country of ours by the yardstick of sectional interest, and to weigh it in the scale of one's own limited experience.

In proof of the fact that our agricultural industry has been underfinanced, a few comparative figures will suffice. The total investment of the railroads in this country, according to the report of the Interstate Commerce Commission for 1915, is, in round figures, \$17,000,000,000; the bonded indebtedness of these railroads is \$12,000,000,000, or 65 per cent. The physical valuation of the farms in the country is \$40,000,000,000, while the total indebtedness on them has been estimated at \$6,000,000,000, that is, only 15 per cent. of their valuation.

With this contrast in mind it is quite understandable that the banks who claimed to be perfectly capable of supplying the farmer with all the credit he needed should—when it was perfectly plain that they did not—be accused of wilful discrimination.

Apparently neither the friends nor opponents of the measure seemed to appreciate the difference between fixed capital and operating capital, that is, between investment banking and commercial banking.

Our National and State banking systems were designed primarily to answer the needs of the rapidly growing commerce of this country. Their working capital is derived largely from deposits. They can no more extend long-term mortgage credit to farmers than to railroads or other industries. Even our savings banks, which are in a far better position to make mortgage loans than ordinary banks, fall far short of being able to supply this need adequately.

Our railroads and other large industries have been able to obtain the required financing through the development of a new system of banking—investment banking. The growth of investment banking in this country and the popularity of corporation securities attest not only the fact that there was need for it, but that it was the only way that the need could have been met. This is precisely what the Federal Farm Loan Act has done. It has established a system of investment banking for our agricultural industry that has proved satisfactory for our other industries, and sanctioned by the best European experience in agricultural finance.

The Federal Farm Loan Act has also been called class legislation for the reason that the United States Government subscribed to the capital stock of the Land Banks. The same provision, it must be remembered, was included in the Federal Reserve Act, the only difference being that the possible maximum subscription in the case of the Land Banks was \$750,000 for each bank, while in the case of the Reserve Banks it was \$4,000,000, or nearly five and a half times as much.

If the Federal Farm Loan Act is class legislation because it was directly designed for farmers, then all legislation that ever came out of Congress or State Legislatures is class legislation. No legislation can equally affect every man, woman and child throughout the country. There seems to be a tendency to look at this act from an entirely different angle than other legislation. Legislation affecting other industries is not class legislation because it is for the benefit of these industries. The fact that those engaged in them are benefited is not considered material. But the Federal Farm Loan Act, which was designed to place our basic industry on a sound financial foundation, is class legislation for the sole reason that it benefits the farmer. The weakness in this logic is too patent for argument.

Fault is also found with the act in that it does not make provision for short term seasonal credit. The most charitable view of this criticism is that it is due to an ignorance of the principles involved. Land credit, or long term mortgage credit, involves fixed capital. It is a problem of investment finance and can be met only through the issuing of long term bonds, based upon fixed security. Short term seasonal credit, on the other hand, involves operating capital. It differs very little in principle from ordinary commercial banking. To have attempted to tie up the two forms of credit in one act and to have extended short term credit from funds raised by the sale of bonds would have been the height of financial heresy. Europe, which has made considerable progress in agricultural finance, has drawn a clear line of demarcation between the two types of credit, and in practically no instance are the two covered by one legislative act or handled by one and the same financial institution.

Still another criticism, which in many respects is deserving of sympathy, is the fact that the act makes no provision for financing the tenant farmer, the landless man, or the insolvent farmer in general. This criticism, too, arises from the failure to distinguish between two distinct problems. Financing the solvent farmer, that is, the farmer who can offer two dollars' worth of security for every dollar he borrows, is a financial problem pure and simple. All the solvent farmer needs is the machinery to place him in a position to compete with other solvent industries for the world's surplus funds. But the tenant farmer, the landless man, or the man who has no readily marketable security to offer for a loan, cannot be financed on the same basis. In fact, the insolvent farmer does not present a financial problem at all. His is rather a social and political problem. That there is great need for a system of financing this type of farmer has been brought home to us by the present crisis in our national life. That the problem will eventually be solved I have not the remotest doubt. But what I am trying to impress upon you is that this problem is entirely sep-

arate and distinct from the problem which the Federal Farm Loan Act has been designed to solve.

I am glad to inform you, and I am sure that you will be interested to know, that many of the problems that looked so difficult have been solved, and the obstacles that appeared insurmountable have been overcome. I do not mean by this that the act is perfect—no legislation is—but what I mean to convey to you is, that in actual practice the act has proved fundamentally sound and on the whole fairly workable. Evidence is accumulating that the best opinion—among bankers and farmers alike—has crystallized into the conviction that the Federal Farm Loan Act is one of the most constructive measures ever passed by Congress.

No doubt there is room for improvement. The Federal Reserve Act has been amended a number of times, and will continue to be amended as experience and practice may demand. The Federal Farm Loan Act will have to go through the same process. Had it not been for the fact that war measures in Congress necessitated a shunting aside of all other legislation, the Farm Loan Act would have been subjected to amendment by this time. In the meantime, the Land Banks are making fairly good progress. None of the twelve Land Banks were in existence half a year ago. Unlike the Reserve Banks they had nothing except an act of Congress to begin with. They were obliged not only to perfect their own organization but to organize—what might be called their member banks—the National Farm Loan Associations. And yet, their figures for the month of August are illuminating. During that month they had received applications for loans aggregating \$23,988,659, and had approved \$19,671,923. This confidence in the system has by no means been one-sided. Bankers and investors alike have eagerly shown their faith in the system. The syndicate of underwriting bond houses sold over \$15,000,000 of Federal Farm Loan Bonds for July delivery before a single bond was issued—and this does not include the subscriptions received directly by the Land Banks.

While all that I have said is, without a doubt, of general public interest as well as of interest to bankers, what you are probably most interested in is how the Federal Farm Loan System will affect the future of the savings banks.

It is needless to tell you how tremendous a force the savings institutions in the United States have been and how great their influence has been on the economic life of this country. No country in the world has had such an excellent system of savings institutions. The \$5,000,000,000 on deposit in these banks with the 11,000,000 depositors have made them truly banks of the people. In assembling the nickel, the dime, and the dollar of the small saver, and making them available for the railroad, the farm, the municipality, the state, the nation, they have accelerated the growth, progress and welfare of the country, and have contributed to the well-being of every man, woman and child.

The savings banks were born of a need, have grown in a service, and prospered in the confidence of the public. Nothing must be permitted to injure them or minimize their influence. But the savings banks, like other established institutions, cannot stand in the way of progress. There is no denying the fact that the savings banks have contributed practically nothing—considering their huge deposits—to our agricultural progress. This is not in the way of criticism. They were simply not designed for that purpose. They were designed for the simple purpose of helping the provident and the forehanded to lay by and accumulate for the future. Their primary function is the encouragement of thrift. The lending of money is merely an effect.

Investments in farm mortgages, though negligible in so far as the savings banks as a whole are concerned, nevertheless constitute a very important item in the budgets of some. These will doubtless be compelled to

revise their investment schedules somewhat. But we must bear in mind that savings banks, like the Sabbath, were made for the people and not the people for the savings banks. How the savings banks are to meet the situation is not easy to say at the present moment.

One of the questions under discussion today is to what extent savings banks will be able to make amortization loans. At the outset I want to say that there has been altogether too much loose talk about the amortized loan. Efforts have been made to prove mathematically that by the grace of the amortized loan, the borrower effected a saving in interest, or that he had no principal to repay, or what not.

This is of a piece with the argument often made by life insurance agents in favor of the endowment policy. It is claimed that the insured under such policy not only pays nothing for his life insurance, but gets full interest on his money. An endowment policy, as we know, is simply figured on the basis of the number of dollars, if placed at compound interest, that is required to make up, say, \$1,000 in twenty years. There is no special virtue in the endowment policy. The virtue lies in the reserve that is allowed to accumulate at compound interest.

The amortized loan is based on the identical principle. It is an endowment policy reversed. The only difference is that in the endowment policy the insured allows his premium to accumulate at compound interest, and gets the face of his policy at the end of a certain period, while in the amortized loan, the borrower gets the face of his loan at the beginning of the period, and pays his annuities, figured on the same basis, until his payments equal the amount borrowed with interest. In the one case he receives interest; in the other he pays interest. That is about all there is to the amortized loan.

The amortized loan is by no means new to this country. It has been employed in one form or another by building and loan associations and by other lending institutions for years. There is nothing, to my mind, contrary to savings banks principles to prevent their making amortized loans. But there is one thing they cannot do. They cannot make these loans for a long period. With deposits payable on demand, or nearly so, I cannot see how savings banks could safely make loans, payable by amortization or otherwise, for a longer period than five years, or thereabouts. The long term amortized loan requires long term money. This is raised as a rule through the medium of the long term bond.

It is obvious, therefore, that savings banks are in no position to enter the field of long term amortized loans. It can never prove a serious competitor of the Federal Farm Loan System, and like others who are now making farm mortgage loans, they will in time be obliged to retire from that investment field.

Perhaps the most favorable field for the investment of savings banks funds will be the new Federal Farm Loan Bonds. These bonds are unequaled by any security in the market for safety and attractiveness. Under the circumstances, I gravely doubt whether the savings banks will be able to maintain their present 4 per cent. interest rate, but this is no great calamity. They will be more than compensated by certain and absolute security of their investments.

Some twenty of the states have already legalized the Federal Farm Loan Bonds as investments for savings banks and for public and trust funds. Other states are rapidly falling into line. I think it is of vital importance to the savings banks to have this field of investment open to them, and they should lose no time in seeing to it that the Farm Loan Bonds are made legal in the states in which they are located. We look to the savings banks as our best future customers for Farm Loan Bonds. The time will come, I am sure, when the savings banks will look upon the Farm Loan Bonds as the very best and most dependable of their investments.

Savings Bank Bonds in Wartime

By LAWRENCE CHAMBERLAIN, of Hemphill, White and Chamberlain, New York.

A brief title, or topical index, seldom can be properly definitive. What you are interested in, as trustees of funds invested and to be invested in savings bank bonds,—what I am interested in, as a dealer in savings bank bonds,—are three things:

First, the possible impairment of the safety of the investment due to war-created, economic upheaval.

Second, the possible loss of convertibility of the investment due to cessation of demand on the Exchanges and to the collapse of the distributing structure built up by the bond houses.

Third, the actual and prospective impairment of the investment due to change in interest rates and the decay of credit.

These things interest us, not with respect to the Civil War or to the Spanish War, or with respect to England or France in the present war, except as we find any safe analogies. But they touch us to the quick—as to the welfare of savings bank bonds held in America from now on till, say, a year or two after the end of the present war.

I am not qualified to discuss the subject as just outlined, particularly the latter part of Subject III: Future Prices changes. I know of no one who is. When I left this country last May for England and the battle fields of France, I could well have afforded to pay \$100,000 for an intelligent understanding of the forces at work creating the conditions which have affected savings bank bonds since, and many of you gentlemen represent institutions that could well have afforded to pay substantial multiples of that sum.

But if the stake is as great as this, any seemingly reasonable discussion catches our attention, for, positively or negatively, any one directing the employment of investment funds must take a position. He must decide:

- (a) Whether he shall keep practically all of his money working—about once in a generation the treasure chest of the Middle Ages assumes a resurrected importance in business life.
- (b) What proportion of his money shall be loaned for fixed periods—particularly long periods.
- (c) What shall be the loan channels through which this money shall flow.

And the position he will take on these matters will or should depend on his solution of the three uncertainties above described.

Turning then to the first of the three problems—is the safety of bonds owned by Savings Banks in danger of impairment because of war-created economic upheaval? In considering this question let us remember that safety is a relative term, like virtue, and that investments have several forms of safety. Safety of the principal is or may be a very separate thing from safety of the interest, i. e., the rental for the use of the principal. In moderately long term bonds safety of the interest is more important than safety of the principal. And then there is that safety of the principal involved in re-acquiring at the expiration of the loan a sum of money equal to the sum originally lent and of equal purchasing power (this is called Security in Redemption or Safety in Redemption). And there is also that safety of principal sum lent involved in being able to cancel or liquidate the loan at any time prior to maturity or an amount equal to the sum originally lent and of equal purchasing power. This is Safety in Liquidation or Security in Liquidation. But this latter involves our third problem particularly—price as affected by interest rates. To comment on the possible impairment of safety without thought of these differentiations is to overlook one or more parts of the problem.

This war up to the time of our entrance into it, certainly had not created internal conditions hindering corporate American borrowers in their duty of passing interest on their debts. If high prices have increased the cost of operation, high prices have increased the gross income from which to pay them.

The ratio of operating expenses to gross income may have increased, and the ratio of the net income to the gross thereby may have decreased, but nevertheless the ratio of fixed charges to net income has decreased—which is the main interest of the bondholder—for that ratio represents his margin of safety.

But the war has made more difficult the refunding of maturing debts—not directly because of any decreased earning power, but because of decreased security buying power—in other words not because of flatulent industrial conditions, but only because of monetary conditions to be discussed in Problem III.

It is unlikely that our entrance into the war will change this situation. Gross earnings may be curtailed somewhat through price fixing, but such samples as we already have had of this kind of dictatorship are reassuring. The Government must live out of profit-taxes, therefore profits must be cultivated in order to be taxed. Net profits to be sure may go pretty much to the tax collector, but that is not the direct concern of the bond owner. His interest and any amortized instalment of principal are paid before the tax collector gets a share.

What is true as to the safety of the bonds of private corporations—so far as they are affected by economic conditions—is true of the bonds of municipal corporations, though for other reasons. The prosperity of the factory and the store is the prosperity of the town. There has been no let up in the growth of the nation's wealth as expressed in assessed and true realty and personalty valuations, and none should be expected during the war. At least until then and for some time afterward municipal solvency will be even more an academic matter than it has been this past decade of riotous municipal living, for the increased cost of new work and the greater difficulty in obtaining new capital should tend to lessen the ratio of municipal debt to municipal assets. And be it remembered that, although the same assets support and acquit the total of a country's corporation debts and its municipal debts, the tax collector of the municipality (like the treasurer of the corporation) culls from corporate assets or gross earnings the taxes that pay the municipal debts, as charges prior to the collection of Federal Income or Profit Taxes.

But let us not misunderstand. There have been forced at work for many years—for eleven years to be exact—forces at first economic, then social, then political—tending to impair the safety of American bonds. The effect found natural expression in bond prices. Before the Interstate Commerce Commission in the winter of 1914-15 I endeavored to make clear the universality of this impairment but the particularity of legislative injustice to railroad bonds. And I guess it is now an open secret that such measure of justice as the railroads obtained at that time was due to the fact that the savings bank men were able to show the Administration how big a stake in the railroads of the country the people had through their deposits in the savings banks.

Municipal and private corporations of a character to have obligations legal for savings bank investment in

those states where investment restrictions mean anything, and types of bonds that these restrictions make legal, have a moderate assurance of such equity in assets and earning power that the financial reversals possible in two or three years more of this war could not deplete them so as to impair the safety of the investments.

In discussing this first problem, to a certain extent we have been setting up a straw man to knock down. Not so with the Second: Marketability. If the public markets, from whatever causes, and the private media of distribution, the bond houses, lose any further degree of investment demand, bonds of the savings bank class will begin to sell for what they will bring rather than for what they are worth, and what they will bring may come to mean such a price as to make it inexpedient for anybody to sell. There will really be no market.

Few people realize the stimulus and support that the American system of bond houses gives to the American bond market. In proof, very few even of the high grade listed rail bonds have their real market on the New York Board. The close market is at the trader's desk in the bond house, and the bulk of transactions in listed bonds is off the Exchange. But the bond houses are not merely traders and brokers, they are heavy buyers for "stock" as the storekeeper says, whenever they deem prices and the prospect of resale fair. It is to be doubted whether the bond houses can afford to buy for stock until the end of the war is at hand. Without question the bond business gets the best men of the country, and investment business has been growing so fast they are young men for the most part. The country's call therefore has left only a small remnant of the nation's security distributors, and these must be giving and be obliged to give, while the war lasts, nearly a quarter of their business time to the Liberty Loans. Therefore between the uncertainties of buying for stock, and Army and other Government service, the bond houses, during the remainder of the war, will be of less than usual service in sustaining markets.

It is pardonable for a member of that fraternity to say here, by way of parenthesis, but with full and earnest conviction, that he believes the men—the rank and file—in this business are making greater sacrifices in this war and giving more generously of themselves than the men in any other business in the country. Otherwise the bond business does not get the best men in the country.

But to resume, if the savings banks are not going to continue to buy the old line of bonds, and if there will be a few bond men to place this old line with the general public, then the present sources of a ready market are gone. Two remedies occur to mind. The first is to get the bond men back. England, of course, has no such system of security retail merchandizing as ours and Canada's. No other country in the world has. But there is, nevertheless, in England a class of men who are coming as intermediaries between issuing corporations and the counselors to estates, and these men (who largely volunteered in the early days of the war), I am given to understand, were called back, as among those who could serve their country better in their vocation at home than on the front.

But under present conditions such a plan would not work with us. Under present conditions the bond houses of the East could not afford to take their men back—which is paramount to saying that their going solved an embarrassing problem. Are there many kinds of business which could afford to run at capacity, pay all the various kinds of taxes everybody else has to pay and then contribute to the Government, for between one-fourth and one-fifth of the time, the services and the product of all of its men? That is what the Government asks of our business and we do it ungrudgingly. But that doesn't prevent it from being all wrong, and from

making impossible the return of our bond boys to a field of service in which under other conditions they might be needed.

The other remedy for a growing unmarketability is to remove the necessity for sale by making the bonds convertible into cash in some other way. There are only two kinds of convertibility: through sale and through hypothecation. But it certainly does not relieve the general financial situation for the savings banks to have recourse on such terms to the commercial banks, except if the commercial banks in turn might reinforce themselves by shifting the load through rediscount upon the Federal Reserve Banks. The National Banks already own 21 per cent more bonds than they did a year ago. But the simpler and perhaps better plan would be to revise the Act to permit direct hypothecation during the period of the war with the Reserve Banks.

It would be a dangerous precedent, for the principle is unsound. No unmarketable or semi-unmarketable paper, which also is not presently self-liquidating, should be subject to rediscount. When the Federal Reserve Act was in process of composition, the Investment Bankers' Association, which like your own good Association was following its progress closely, took a private stand at the expense of its own interests in opposition to the rediscount privilege as applied to paper secured by stocks and bonds. But many rules are off in wartime and probably this should be one of them, for if not, what other remedy is there?

But in proportion to the unsoundness of this rediscounting should be the rapidity with which the savings banks be obliged to take up the collateral on the resumption of conditions more nearly normal.

The third problem relates to the impairment of the investment due to change in interest rates and the clearing of credits. The problem is to initiate action that will anticipate price changes. One cannot assume that there is no loss and therefore no problem in the case of those banks which find that they are not obliged to sell their long bonds. If their withdrawals realize expectations and they do not liquidate their long loans, it is because they have short loans and mortgages that can be liquidated to better advantage.

The sale of these more or less liquid assets leaves the bank so much weaker because the best resources have been sacrificed—first by selling short loans when, if prices had permitted they would have sold long loans; they have not met the issue but have postponed or avoided it—which may of course be the right thing to do.

The longest trenches or swings we have in financial history are those of interest rate, or the prices of credits. If we may now consider that we are at or near the lowest point in the long ebb and flow of credit, then we have to go back twenty-one years to 1896 to find the previous low year from which was built the great advance in bond prices culminating in the two peaks of 1902 and 1906. This advance interests us only if the conditions or causes which brought it about can be applied now. A careful analysis and comparative examination of many possible factors, made several years ago and tested in the light of subsequent experience, leads me to the belief that this great advance in bond prices, or decline in long interest rates, was due to the fact that this country, at least, was the beneficiary of an annual increase in the ratio of its gold stock to its things purchasable—commonly and less accurately called commodities.

The significant thing is not that the gold stock in the United States reserve increased—it still increases almost every year—but that the rate by which it increased kept on increasing. In this way was produced a stimulus not unlike the stimulus of a drug. For if you slightly increase the amount of the drug each day you will get no increased exhilaration; you may get a gradual depression. But as long as you increase the rate of increase

in the amount of the drug, you should get greater stimulus until something snaps.

The decline in bond prices (and in numerous other prices) since 1906 has continued with some slight reaction for the past ten years. During this period there has been a decline in the rate of increase in the gold supply.

The Bond Buyers' index for municipal bonds, based on the average net income returned on sale price of the bonds of the largest cities of the United States, most of which are "legal municipals," shows a rise in interest rates from 3.53 per cent in 1906 to 4.16 per cent, the average for the year preceding the outbreak of the war. On a 25-year 4 per cent bond this would represent a decline in price of considerably more than 10 points, or about 10 per cent.

Our entrance into the war tremendously increased our gold stock—by about \$1,250,000,000, and the natural supposition would be that bond prices, including savings bank bond prices (for there is no conflict of price tendencies among the different classes of bonds) would obtain their share of this security price uplift that fell so largely to stocks, but any such resurgence has been ephemeral, and now we find the long term municipal bonds about 6 points lower than they were the year before the war broke out, and $8\frac{3}{4}$ per cent lower than they were in January of this year, which marked the high point of municipal bonds for the war.

One would suppose municipal bonds to be relatively sustained by their freedom from various forms of taxation, but this has not greatly availed them. The decline in the average price of corporation bonds has been about nine points from the high of the year, but their present low figure is only one and one-half points below the low figures of the winter of 1914-15, subsequent to the opening of the Stock Exchange.

If we have nursed a pet theory as to the main cause of bond price movement which breaks down under the tests of war conditions, we ought at least to furnish a plausible excuse. It is this: Interest rates (and therefore bond prices) represent the price which people are willing to pay to borrow money, and the rental at which people are willing to lend their moneys. But if the continuance of your existence is at all problematical, the charm is gone out the future return of money to you. The support of low bond prices in peace is the high rental value of borrowed money. Now your incentive is to spend your dollars—not lend them—to scramble for commodities.

This condition should obtain until the end of the war is in sight or is thought to be in sight, but at the present and for the next few weeks bonds, particularly of the savings bank class, may be temporarily over-depressed in adjustment to the necessity of paying for the next Liberty Loan.

Nevertheless the trend of savings bank bond prices should continue to downward as long as the conditions which negative an otherwise normal uplift remain with us. We have yet to feel the full force of the competition from Government bonds issued at increasing rates of interest and in amounts approaching a billion dollars a month. A bank man who does not prepare for the eventualities of governmental borrowing at the rate of a thousand million dollars a month for the next three years—well, he simply hasn't reckoned with the possibilities of this war and with the character of the English who are fighting this war.

But it does not follow that because a quotation of two billion dollars Liberty Loan assisted in a five to ten point subsidence in the price level that a three billion dollar loan would drop that level seven to fifteen points further, or a four billion dollar loan, ten to twenty points further. If it is permissible these days to quote an old German adage—an adage which, by the way, the Germans themselves forgot when they set out to conquer the

world: "no tree ever grows quite to Heaven"—there is a limit to all things. There is a limit to the possibilities of descent in savings bond prices. The bonds can only sink to zero unless they are assessed. So there is much to be thankful for.

But seriously, there may be a brighter side to the picture. The German logicians may come forward and prove to this race of "super-man" that unconditional surrender is wiser now than after the United States has really sized up the Hun family and the La Follettes, the Gronnas, the Buchanans and the Thompsons who have strangely mixed our thinking. For if we ever rise through suffering like that of France, to resolution like that of England, and thence to sacrifice like that of New Zealand, who has sent the mother country 10 per cent of the total population within her borders, and 25,000 a month additional still are coming—if ever we have this equivalent, 10,000,000 men on and back of the firing line, we will do with our allies what England and France really want to do in the interest of a higher humanity—obliterate Germany as a body politic. You may be sure the inevitable German thinker has figured this thing out.

I say that if the logic of this situation is being brought home to the Germans, they may decide, rather unexpectedly to us, to throw off the Hohenzollerns and the entire Prussian yoke and seek for themselves with our subsidized influence, and during our state of provincial ignorance, terms they never could obtain later.

If they do we shall see, in all probability, a recovery in the market value of savings bank bonds that will delight no official more than every bond man, and since this recovery will follow a decline without statistical warrant, in fact will follow a decline that by all the rules of the Medes and Persians should have been an advance, the recovery should be sustained and go far.

But all this is only a hope, and in terms of the welfare of the human race, and of centuries, doubtless it is a hope that ought not to be realized until the millions of young men of the French and English speaking peoples come to know each other through that finest possible fusion of common suffering and common endurance for common ideals which only this first and last world war could have brought about. Out of that fellowship can arise an international police to put a period to international brutality.

But, meanwhile, and until the end, whether this mid-winter or three years hence, the most optimistic estimate of the bond requirements of the government of the United States should exceed one billion dollars a month.

The savings banks and the bond dealers are not the only sufferers. The credit of all corporations must suffer in the complications. There must be no let up in industry, and therefore no let up in private corporation borrowing. If these corporations issue their long bonds at record low prices, it hurts the market and prices of the bonds you now own. If, however, they can issue short notes on the almost prohibitive terms of competitive rates securing those notes by bonds now legal for savings banks, with ample equity in present true market value of the "legal" collateral, and if for the period of the war, at least, savings banks be permitted to purchase such notes, the corporations will be helped, the long legal bonds will be helped, and the savings banks will be helped by the withdrawal of the long legals otherwise pressing for sale, and by the opportunity to invest in high-interest bearing paper protected as to market by early maturity, and as to safety by the nature and amount of the collateral.

In conclusion, then:

First: It rests with the government whether there shall be any impairment of the safety of the savings bank bonds, due to war-created economic upheaval. Based on our experience in the railroad 5 per cent rate case and on recent price fixing by the Government, we have little to fear in this respect.

Second: With the continuance of the war, under present conditions we are led to expect a weakening for both listed and unlisted securities, due to a subsidence of investment, and mercantile demand, neither of which can be stimulated by the efforts of the distributing bond houses.

Third: The present impairment of savings bank bond investment as represented in market prices is likely to continue until the investing public believes that peace is at hand.

Fourth: Both convertibility and price would be substantially benefited if arrangements be made for hypothecation of these securities with Federal Reserve Banks.

Fifth: Corporate credit in general and savings bank investment conditions in particular, would be improved by legalizing the notes of obligors, secured with ample security by the bonds of these obligors, when the bonds which form the collateral are already legal investments.

An "America First" Campaign for American Savings Institutions

By H. H. WHEATON, Specialist in Immigrant Education, Department of the Interior, Washington, D. C.

The Government needs and wants the help of the American Bankers Association during the war. A Federal plan is under way to acquaint every person of foreign birth with American banking institutions. The successful execution of this plan will depend largely upon this Association.

Investigations of various Federal and State officials show that over \$275,000,000 annually is transmitted abroad by aliens, largely through the hands of immigrant bankers, while there are no means of determining the total amount on deposit for safe keeping with such bankers. To keep the first sum in America for use during the war and to facilitate the placing of immigrant savings in American Banking institutions is the object of this new phase of the "America First" Campaign now being conducted by the United States Bureau of Education.

The average American does not understand the "immigrant bank" and its part in the life of a foreign-born resident in this country. Yet the typical immigrant bank while peculiar to America, is an un-American institution. It is an actual hindrance to the process of Americanization. Let us begin by admitting that the immigrant banker is very convenient for the alien. Let us agree that he renders a variety of services, which the un-Americanized immigrant could not secure readily in other ways. But in spite of these facts, the immigrant bank as an institution is inimical to the best interests of the immigrant and of the country. A recitation of some of the exploitations by private bankers coupled with a description of the character of their business will disclose some extraordinary conditions.

The immigrant bank is at once a bank, a transmitter of money, a steamship agency, a post-office, an information bureau, a legal bureau, and an employment agency, and may be run in connection with, or incidental to, a saloon, boarding house, grocery store, importing shop, real estate office, store, or insurance business. The immigrant frequently calls upon the banker to make out and even execute legal documents; he employs him to act as interpreter in the courts; if he cannot read, he comes to him to read letters from his family or friends in the old country; he takes his advice in buying real estate, in bringing suits at law, in making claims for damages, and in transacting business with Americans. If these services were honestly rendered, no particular objection could be found, but any business man can readily perceive that the actual rendering of these services places the ignorant person in a position to be exploited in an unscrupulous manner.

The average amount left on deposit by a depositor is about \$100.00. When the accumulation exceeds this amount, the whole is ordinarily transmitted abroad. In one group of 31 banks investigated, 3,000 laborers had

on deposit \$209,190. The Cleveland Chamber of Commerce in a report on "Irresponsible Private Banks" states that one banker alone carried \$100,000 on deposit. In New York 22 banks carried approximately \$2,000,000. When five of the reputedly sound bankers in New York City went into bankruptcy shortly after the war began, we were astounded to learn that several millions were involved as well as 50,000 depositors. The reason for these and other failures is inherent in the nature of the private bank.

Of several thousand banks, few have any fixed capital, and scarcely any owes a defined obligation to a depositor. This practically unlimited power to do business has provided the private banker with an opportunity to invest in unreliable securities, real estate speculations, mining stocks, bonds, etc. Nearly every private banker is tempted and does invest his deposits in some other business than banking. It is extremely common to find such a banker holding title to a property or business which he has purchased with another man's money—the savings of hard-working immigrant laborers.

What is the reason for this hold which the immigrant banker has obtained upon the immigrant? The answer is simply and clearly defined. The banker speaks the immigrant's language and provides him facilities which he cannot readily obtain in other ways through American institutions. The remedy is equally clear—teach the immigrant the language of the American bank and train into him a knowledge of American banking institutions and of the facilities they provide. That is one obligation which the government, educational authorities, and the American bankers of the country must assume. To suggest how this can be done is the object of the coming remarks.

Inability to speak English and ignorance of our institutions are the pathetic disabilities under which immigrants in this country are laboring. In 1910 no less than 2,953,011 foreign-born whites, 10 years of age and over, could not speak English—22.8 per cent of our foreign-born-white population; 2,896,612 were fifteen years of age and over; 2,565,606 were twenty-one years of age and over. At the same time, 1,650,361 were illiterates ten years of age and over, whilst against these amazing figures only 35,614 twenty-one years of age and over were attending school, supposedly to learn English and study about America. At this rate per annum, how long before America would become American?

To remedy the situation, the government through the United States Bureau of Education three years ago embarked upon a nation-wide Americanization program. This program comprehends new legislation, the organization of educational facilities, the establishment of legislative, administrative, and instructional standards,

and the marshaling of all the forces of Americanization in cooperation on a national scale. It includes, among other things, an organized "America First" campaign, having for its purpose promotion of the allegiance of every foreign-born citizen to the United States, nationalizing the use of the English language, and furtherance of a common knowledge of American institutions. The program, which I now submit to the association is a part of the entire Federal program and a special feature of the "America First" Campaign.

The program is as follows:

First—Pass a resolution endorsing the "America First" Campaign and announcing the intent of the Association to participate in it along the lines suggested;

Second—Designate a committee through which the Bureau can work in furthering the program;

Third—Appoint some executive to be responsible for the execution of the Association's part in the plan;

Fourth—Initiate a nation-wide propaganda through membership banks, state and local associations, aimed at reaching every immigrant in the United States for the purpose of getting him to deposit his money in, and transmit his money through reliable American banking institutions;

Fifth—Publish advertisements and articles relating to savings banks, thrift, and allied subjects in foreign languages, in leaflets, posters, and foreign language newspapers;

Sixth—Designate collaborators to work with the Bureau in preparing lessons in English and Civics for the use of teachers and immigrants in evening schools, as a part of the Federal War Americanization Plan;

Seventh—Utilize the Association's facilities in distributing material prepared by the Bureau and other approved material to membership banks and associations;

Finally—Preach the doctrine of "America First" in the real sense—first in allegiance to a common flag, first in unity of action, first in cooperation, first in liberty under law, first in justice in righting wrongs, first in service to man.

Committee and Officers' Reports—Savings Bank Section

Report of the Secretary of the Savings Bank Section

ATLANTIC CITY, N. J., September 25, 1917.

The march of important events in the nation's history during the past year has given the Savings Bank Section opportunities which had not been presented before. Changes in the security market, the need for increased savings, and the decision on the part of the savings bankers to co-operate with the Federal reserve banks in the sale of Liberty Bonds, have permitted the Secretary's office to render real service to members. The reports of the committees have detailed the efforts we have made in order to place our service to members upon an efficient and effective basis.

The wisdom of the Nation-Wide Thrift Campaign, and of the tremendous drive which the Section made in 1916 in the promotion of greater money saving on the part of the people, has been sufficiently recognized in the results achieved. The thrift movement manifestly had the effect of preparing a great number of people for the sacrifices demanded of them in the present world cataclysm. We are precluded from relying upon past savings and future savings as sources of funds for the prosecution of war. The only source available to any great degree is the present savings of the nation. Hence, the savings banks have proved of vital consequence in stabilizing our economic life and in aiding the people to maintain financial equilibrium. The confidence reposed by the people in our banks is to a large extent responsible for the apparent smooth running of our social machinery.

The high peak of membership enrolled in the Section has been reached this year. There are 3,822 members, and up to a few days ago the number had reached 3,850. This is about 22 per cent. of the total membership of the Association. There are plenty more savings banks for us to secure as members. We hope that next year a campaign conducted in this direction will bear much fruit as the result of the persistent efforts we have made in the past. There are many banks, members of the Association, that desire to open savings departments. In this direction our opportunity lies. Much work has been done in the past year to properly advise banks of methods and systems for the organization of new savings departments. Approximately twelve hundred members have been added to the rolls of the Section since the inception of the incumbency of the present Secretary.

During the past year 6,049 letters have been received and over 38,650 pieces of mail matter have been sent from our office. The requests for information are increasing constantly. However, we have built up a system for handling this matter which facilitates the work in connection with it. There was reported at the Kansas City Convention one hundred and thirty-five copies of the Book of Forms on hand. We have sold fifty-five during the year and have now a balance remaining of eighty copies. Our Book of Forms Account, which amounted to \$1,884.09, has been transferred to the General Fund of the Association by resolution of the Administrative Committee. At the meeting of the Executive Committee in May, 1917, it was decided to join with other Sections of the Association in the preparation of a new Book of Forms, which will under one cover contain all necessary forms for every department of a bank, in loose leaf style so that a bank may purchase only those forms which pertain to its own business. We undoubtedly will sell the remaining copies of the Book of Forms within the next year.

Your Secretary has attended and addressed the conventions of the following associations: Michigan Bankers Association, New Jersey Bankers Association, West Virginia Bankers Association.

The Section has received three appropriations from the Association, amounting in the aggregate to \$11,869.31. That together with miscellaneous items placed to the credit of the Section in the General Office makes total credits, amounting to \$12,129.85. The expenditures for the year aggregate \$12,086.61, a large part of this being for last year's Convention expenses and Book of Proceedings. The balance to the credit of the Savings Bank Section amounts to \$43.24 in accordance with the attached statement.

The co-operation received from the Sections and departments of the Association, as well as General Secretary Farnsworth, has made it possible for the Section to materially extend its activities and effectively serve members. The relationship existing in the General Office is altogether satisfactory. Your Secretary deeply appreciates the help he

has received from the officers and members of the Executive Committee of the Section during the past year. The advice of President Edwards, and the interest he has manifested in the Section, have been of great assistance in the progress we have made.

Respectfully submitted,

M. W. HARRISON,
Secretary.

FINANCIAL STATEMENT.

From September 1, 1916, to August 31, 1917, inclusive

CREDITS.

September 30, 1916, by appropriation.....	\$ 9,000.00	
May 9, 1917, by appropriation.....	2,500.00	
July 9, 1917, by appropriation.....	369.31	
Refund, account Thrift propaganda.....	79.02	
Sale Book of Forms.....	120.00	
Sale "100 Years of Savings Banking".....	35.93	
Postage money returned.....	25.59	\$12,129.85

DISBURSEMENTS.

Salaries.....	\$ 5,562.83	
Proceedings, 1916.....	1,898.20	
Postage, stationery and printing (including Thrift).....	1,209.17	
Convention expenses.....	1,057.35	
Executive Committee meetings.....	847.21	
Rent.....	604.92	
"100 Years of Savings Banking" (1,000 copies).....	369.31	
Extra help.....	182.08	
Traveling expenses.....	114.35	
Express.....	67.59	
Telephone and telegraph.....	59.82	
Charts and maps.....	39.05	
Folders and guides.....	36.04	
Gold badges.....	20.00	
Books.....	18.60	\$12,086.61

Credit balance..... \$ 43.24

Report of Committee on Savings Legislation

ATLANTIC CITY, September 25, 1917.

Your committee has endeavored to keep in constant touch with legislative issues affecting the interests of the Savings Bank Section and the outcome of the year's work is of greater value, we believe, than the tangible results would indicate; by this we mean that much effort and labor have been expended in accomplishing a state of preparedness but that, contrary to our hope and expectation, our full forces have not as yet been utilized for active service.

We refer particularly to the preparation of a statement bearing upon the railroad problem for presentation to the Newlands Congressional Committee; this statement was predicated upon the resolution passed at the General Convention of the American Bankers Association in Kansas City last September, asking Congress to free the railroads from the present harassing and conflicting regulations of the various local Public Service Commissions and to vest exclusive control in the Interstate Commerce Commission—to substitute one master for forty-nine masters.

This statement was reviewed by the Executive Committee of our Section at its meeting on May 8, 1917, at Briarcliff Lodge, and considerable labor was bestowed upon it afterwards, but the members of the Newlands Committee have been unable to resume their hearings upon railroad affairs, owing to the press of war legislation, and it is now doubtful whether any opportunity will be afforded to your committee to express its views upon this important question.

Meanwhile the railroad problems are becoming more and more perplexing, but it is hoped that their intimate co-operation with the National Government in solving transportation problems and their recognized unstinted patriotism will win for them a friendly consideration which past policies have been unable to effect; "to know all is to forgive all," is a proverb of wide application; let us believe then that with our lawmakers and our railroads working hand in hand in a common cause, fair play will not be withheld much longer from this most important arm of national service.

In order to consider the fruits of its labors, your committee has arranged to give to the financial press much of the material gathered in the course of its study of the railroad problem, and through this means the public will learn our reasons for desiring exclusive national regulation of our public carriers; articles will appear from time to time over the signature of our Secretary presenting the various phases of our argument, and these articles ought to go far towards creating a friendly, or at least a just, attitude toward the railroads.

Another matter of pressing moment to all Savings Banks to which your Committee has addressed its energies is the relation of the Savings Banks to the Federal Reserve System. Last December two members of your Committee called by appointment upon Mr. Paul M. Warburg, Vice-Governor of the Federal Reserve Board, at Washington, and discussed the feasibility of some recognition being given banks of our class under the Federal Reserve Act; we were pleased to learn that the Board already had the matter under advisement and that specific recommendation would later on be made for suitable amendments to the Act; an amendment was shortly afterward suggested by the Federal Reserve Board and introduced in Congress whereby Mutual Savings Banks were to be admitted to associate membership under certain terms which proved to be not at all attractive to such banks because of the almost prohibitive reserve requirements; the amendment was also objectionable to the Commercial Banks because of the liberal discrimination in favor of the Mutual Savings Banks and was finally rejected in Committee as inexpedient and uneconomic; thus in a second instance your Committee was working industriously toward a desirable end but didn't "get anywhere."

On May 21, 1917, just as the first Liberty Loan campaign was beginning, President Edwards and your Chairman had a hearing before the Federal Reserve Board in Washington and sought to learn what measure of relief in the event of an emergency the Board could extend to Mutual Savings Banks in the way of advancing currency upon such securities as had been acceptable under the Aldrich-Vreeland Act; this was a precaution we felt it necessary to take in view of the uncertain attitude of Savings Bank depositors toward the Liberty Loan. The Board gave us sympathetic attention and was keenly alive to the possible dilemma which the Savings Banks were facing; of course the Mutual Savings Bank has no direct access to the Federal Reserve System but there was an evident disposition on the part of the Board to waive all technicalities and to give the Savings Banks, through their member correspondents, every possible facility for meeting unusual withdrawals; on the day following our Conference the Federal Reserve Board addressed a letter to the twelve regional banks requesting them to establish a special discount rate of 3½ per cent. upon all business growing out of Liberty Loan transactions and "in view of the magnitude of the task imposed upon all banks of the country, including Savings Banks," permitting member banks to act as agents in rediscounting for non-member banks—a privilege which under the law they can exercise only by special permission of the Board. The moral effect of this prompt response to your Committee's appeal was highly stimulating, and it is believed that with such encouragement from the Federal Reserve Board Savings Banks may confidently reckon upon all the help to which they are entitled from their correspondent banks.

An obvious lesson for Savings Banks in the circumstances would seem to be the desirability of maintaining a reasonable degree of liquidity through investments in United States Bonds—high grade bankers' acceptances and short date municipals and Equipment Trusts; it should be the aim of our Savings Banks to have in their vaults constantly a liberal line of investments which would be acceptable collateral with Federal Reserve Banks—so that they may benefit promptly from the rediscount privileges of their member correspondents.

It is proper to mention here that some of our Savings Banks generously and patriotically cooperated with their local Liberty Loan Committees last June in the sale of bonds over the counter; this is a service which Savings Banks, by reason of the character of their business, are peculiarly qualified to render, and it is to be hoped that in future flotations of Liberty Bonds our banks may not be deterred from hearty participation through fear of the effect upon their own deposits; any such fear ought to be removed if our banks have reasonable assurance of help if needed.

Facilities for the sale of Liberty Bonds on the partial payment plan can be readily provided by any Savings Bank, and many subscribers can be led to use this method who would otherwise pay in full by withdrawals from their past accumulations; it is evident that unless bonds are paid for out of current income rather than past savings, serious dislocation of our financial machinery is inevitable; subscribers should be encouraged to mortgage their future income in order to perform a present patriotic duty. The immediate effect upon the banks is of course the same whether subscribers pay in full or buy on the partial payment plan, but the advantage to the bank in the latter case is apparent in that its initial outlay will be repaid within the period of the credit granted, while the depositor who pays in full lacks the same incentive to save for the future.

It is to be hoped that all of our Savings Banks will courageously recognize their opportunity and privilege to assist in distributing future Government issues; their rewards will consist in the consciousness of performing a patriotic duty and in mustering into service a vast army of thrift recruits.

Your Committee is interested in reporting that the area of legal investments has recently been widened in several New England States to include certain high grade public utilities; this we believe is a long delayed step in the right direction and should be followed by letting down the bars in other States. A rigid investment barrier frequently narrows to the vanishing point the exercise of judgment in selecting securities and it often creates an artificial and unwarranted market for those investments which are included within the favored zone.

Your Committee invites an expression of views from the members of the Savings Bank Section with respect to their local Investment

Laws and upon investment restrictions generally. Requests often come to our office for information about various State Banking Laws and the legality of certain issues of bonds; if any widespread interest in the general subject exists, your Committee will cheerfully undertake any reasonable investigation desired by its constituents.

Respectfully submitted,

EDWARD L. ROBINSON,
Chairman.

W. E. KNOX,
R. C. STEPHENSON,
J. F. SARTORI,
N. F. HAWLEY.

Report of the Membership Committee

ATLANTIC CITY, N. J., September 25, 1917.

Total membership, September 1st, 1916.....	3,533
Total membership, September 1st, 1917.....	3,822
Gain since September 1st, 1916.....	289
Lost by failure, liquidation and merger.....	37
Net gain since September 1st, 1916.....	252
National Banks.....	886
Trust Companies, etc.....	399
	1,285
Also enrolled as associate members to receive Thrift literature, etc.:	
State Secretaries.....	49
Chapters, A. I. B.....	46
	95
Total Associate Members.....	1,380
Gross membership without chapters, etc.....	3,764
Delinquent.....	37
Net membership without chapters, etc.....	3,727
Associate members (banks).....	1,285
Voting Members.....	2,442
Non-voting members (including chapters and state secretaries).....	1,380
Grand Total.....	3,822

Report of the Committee on Propaganda

ATLANTIC CITY, N. J., September 25, 1917.

GENTLEMEN:

The work of thrift propaganda of the Savings Bank Section in the past has resulted in forcibly bringing to the mind of the American public the need for money saving to meet the exigencies of war. Since 1912 our Section has been persistently inculcating the habit of thrift in the mind of the public, so that its teaching has become nation-wide.

The only way in which the present war may be financed is through greater production and increased saving. If the people do not save their money, the Government must have recourse to its currency. It is manifestly undesirable for a country to substantially inflate its currency. We are told that the currency inflation in Great Britain has been tremendous as the result of the extravagance of the people. In a recent article, dated London, August 10th, in referring to the increased income of the English taxpayer it states:

"He has been left a proportion of income much too large for his own health and that of the State, has indulged in extravagances, and by his selfish and thoughtless action has compelled a great inflation of currency or credit. The harvest of our financial tolerance is now being reaped, so it is asserted, in the extraordinary level of prices from which the entire nation is suffering."

It has been stated that the jewelry trade in Birmingham, England, has increased to an unprecedented degree since the beginning of the war. Of course, we do not know what will happen in this country, but this we do realize that through the efforts of the Savings Bank Section we have enlisted the support of great national influences that have been at work for several years in educating the people to the desirability of thrift and money saving. Whether the effect of this will be marked in the response of the people to the call of the nation for funds remains to be seen. There is much evidence, however, that the intensive work which we have done in this respect has already had a splendid effect.

School savings banks have been established in great numbers. This has not only had its effect upon the child, but also on the family. There is no avenue of approach to the family more resultful than through the child. In New York City the number of school savings banks has reached 204. In order to secure and promote safety in the management of these banks, the Board of Education in February last, through the efforts of our Section, appointed a Supervisor of School Banks to encourage thrift in the schools, to install new school savings banks, care for the supplies, audit the accounts, obtain reports and in a general way to promote the habit of thrift.

We have undertaken to extend thrift agencies through the social settlement of the City of New York and vicinity by providing them with material for the operation of their settlement savings funds. This is merely a matter of clerical work for the Section office and does not create any liability, as the material is bought by the settlements through the M. B. Brown Printing & Binding Company, who bear the expense of carrying the supplies in stock and receive payment for them direct from the settlement.

At the meeting of the Executive Committee of the Savings Bank Section at Briarcliff Lodge last May, this Committee recommended that the Section offer its services to the Association in the conduct of War Loan Propaganda. The Section did its share of effective work for the general Association.

A Bibliography of Thrift was published by the Section, and about 400

of them have already been distributed to libraries and to bankers requesting copies. One hundred copies were sold to the National Board of the Young Women's Christian Association at cost, which amounted to \$35.

At the request of Mr. Chas. S. Calwell, Chairman of Group 1 of the Pennsylvania Bankers Association, which is located in the Philadelphia district, Secretary Harrison prepared a text book on Thrift which was printed by the Group and distributed to 50,000 school children throughout the city of Philadelphia.

During the past year the requests for Thrift material have been unceasing. Fortunately, a considerable amount has been on hand, thus enabling us to comply with such requests.

"The Dollar and the Law," the official film of the Nation-Wide Thrift movement, has had wide distribution, having been exhibited in over 1,000 motion picture houses, according to records received.

Through the efforts of our Section a plan was written for rendering banking service to soldiers by banks in cities adjacent to continents; a special trip was made by the Secretary for the purpose.

Thirty copies of the book of forms have been sold during the year and 87 copies remain on hand.

A definite responsibility apparently rests upon the banks of the country to help stem the tide of extravagance, which is sure to come among the wage-earners of the country. Activity in the business of producing luxuries must be diverted to the production of the needs of war. But if the people demand luxuries, it is an economic law that they shall be supplied. The danger is in permitting the demand to exist on any wide scale. Hence, the need for an intensive educational thrift campaign, to induce greater production of necessary commodities and the saving of money on the part of each individual for investment in war loans seems imperative. This committee recommends that its efforts in behalf of the cultivation of the thrift habit throughout the United States be continued and extended. The most effective method of inducing savings is to have the agency for receiving those savings. It is highly desirable that all banks and trust companies open savings departments. Therefore, the conduct of propaganda for the establishment of more savings departments would unquestionably prove valuable in solving an important problem. This committee also recommends that such a campaign be instituted some time during the next fiscal year.

The services which the Section has been rendering to members during the past year has resulted in added prestige to the Association and greater confidence of our members in the Section office. This committee recommends that we endeavor to improve the facilities for rendering such service.

Respectfully submitted,

V. A. LERSNER,
Chairman.
W. S. WEBB,
JAMES D. GARRETT,
F. B. WASHBURN,
MOORHEAD WRIGHT.

Report of Special Thrift Committee for Work Among Colored People

ATLANTIC CITY, N. J., September 25, 1917.

According to the U. S. Census Reports for 1910, there were (9,827,763) nine million, eight hundred and twenty-seven thousand, seven hundred and sixty-three colored people in this country. Of this number, (7,915,332) seven million, nine hundred and fifteen thousand, three hundred and thirty-two reside in the State of Virginia, North Carolina, South Carolina, Georgia, Florida, Alabama, Mississippi, Louisiana, Texas, Tennessee, Missouri, Oklahoma, Arkansas, Kentucky and West Virginia.

This leaves (1,912,431) one million, nine hundred and twelve thousand, four hundred and thirty-one residing in the northern and western states. Granting that the exodus northward and westward assumed huge proportions, it is safe to say that the difference will not exceed one hundred thousand. The bulk of the population will remain where it is. Far-seeing southerners are already diplomatically making changes industrially and commercially in the Southland, both as to wages and living conditions, in order to check this immigration.

They have been calling into consultation some of the ablest colored leaders in that section of the country with a view of finding a remedy to cause a cessation of the unrest. The value of the property of the colored people in this country has been estimated to be seven hundred million dollars. Add to it the deposits in the banks of the country and it will be found to be much more than that. The value of the farm products, such as corn, wheat, oats, rye, rice, hay, potatoes, sweet potatoes, cotton, tobacco, cotton seed, etc., will total six hundred million dollars per annum.

Virginia is one of the southern states which segregates the value of the property of its white and colored citizens. The former had about two hundred and fifty years' start of the latter. The value of the colored people's property at the close of the Civil War was and is usually placed at zero. In his annual report for 1916 to His Excellency, H. C. Stuart, Governor of Virginia, Hon. C. Lee Moore, Auditor of Public Accounts, showed the value of colored people's property real and personal, to be (\$41,081,460) forty-one million and eighty-one thousand, four hundred and sixty dollars, an increase of (\$3,232,487) three million, two hundred and thirty-two thousand, four hundred and eighty-seven dollars over the year of 1915.

The colored population of Virginia is (671,096) six hundred and seventy-one thousand and ninety-six. These colored people own (1,730,980) one million, seven hundred and thirty thousand, nine hundred and eighty acres of land, an increase in one year of (50,157) fifty-six thousand one hundred and fifty-seven acres. The per capital value of the wealth of the colored people of Virginia as shown is (\$59.70) fifty-nine dollars and seventy cents. This does not include the amount of money on deposit in the banks of the country.

If the present acreage owned by the colored people were divided up, it would give each man, woman and child two and one-half acres. It seems then that the wisdom of your officers, especially your very able Secretary, in extending the blessing of this thrift movement directly to the colored people is apparent. As a preliminary movement I named the following persons to co-operate with me in this great effort: Major R. R. Moten, President of Tuskegee Institute, Alabama; Emmett J. Scott, Secretary of Tuskegee Institute, Alabama; Robert J. Owens,

Los Angeles, California; Dr. J. W. E. Bowen, Atlanta, Ga.; President James B. Dudley, Greensboro, N. C.; Judge Robert H. Terrell, Washington, D. C.; W. G. Graham, D.D., Philadelphia, Pa.; Kelly Miller, A.M., Dean of Howard University, Washington, D. C.; Joseph L. Jones, Cincinnati, Ohio; E. J. Warren, Detroit, Mich.; William H. Lewis, Ex-Assistant Attorney General, Boston, Mass.; J. Rupert Jefferson, Parkersburg, W. Va.; Prof. Charles Mitchell, Institute, W. Va.; Charles H. Stewart, Chicago, Ill.; Dr. Ernest Lyon, Baltimore, Md.; B. G. Fitzgerald, Atlantic City, N. J.; Thomas M. Crump, Mrs. Maggie L. Walker, E. R. Jefferson, M.D., of Richmond, Va.; William McDonald, Fort Worth, Texas; Charles Banks, Mound Bayou, Miss.; H. L. Price, Palestine, Texas.

Meetings have been held and an interest awakened, to the end that millions of dollars are being saved through the savings departments of banking institutions, and through the medium of Christmas Savings Clubs. In the Liberty Loan rally held in Richmond subscriptions aggregating twenty-five thousand dollars were announced after a meeting of about two hours. Addresses were delivered by Hon. Oliver J. Sands, President of the American National Bank of Richmond, and Col. William T. Dabney, Business Manager of the Richmond Chamber of Commerce.

The interest shown by the colored people was most gratifying and I was glad to preside over the meeting. Southern white people have for many years encouraged the saving habit among the colored people in their respective localities. They have sold them homesteads on long-time payments and extended the time for settlement, when the pressure of home expenses became too great. They have also encouraged the education of the colored children in progressive communities, realizing that no one thing, not even the family tie, steadies a colored man so much as the saving habit.

The wealth of the colored people is in the Southland. How to make him to a more thrifty citizen—how to reach the thousands of thriftless "ne'er do wells" is the problem. The song, "Every day'll be Sunday by and by," is too popular among a large proportion of our people. The song, "There'll be no sorrow there," is being changed to, "There'll be no working there." Work should give us a zest for recreation and vice versa. The greatest handicap to this movement among our people has been the lack of funds to promote the plans as outlined by the promoters of the movement.

To this end, I have deemed it wise to secure the authority to issue and sell for a nominal sum, say five or ten cents, an authorized thrift campaign button or badge, the proceeds therefrom to be turned over to the Savings Bank Section through its Secretary and used in paying the actual expenses of promoting the movement among the colored people. By this method, the campaign could no doubt be made self-supporting, inasmuch as the expense would be confined to clerk hire, literature and postage.

The remarkable progress made by the Section under the present corps of officers can be appreciated by those who, like myself, have noted the progressive growth during the past ten or twelve years. No act on the part of the financiers of the country has done more to stimulate the habit of saving than has this movement for the conservation of the wealth of the nation in general and that of the colored people in particular.

I hope that southern banking institutions may be induced to secure statistics relative to the amount of the savings of the colored people in their respective localities and forward the same to the Secretary of the Savings Bank Section, where the undersigned may be permitted to obtain the information and by adding the same to those of the forty-five banking institutions in the country conducted by colored people, practically all of which are in the South, he may be able to ascertain the actual cash holdings of the colored people of this country.

The time is rapidly approaching, if not actually at hand, when the black Colossus, ever friendly and never militant toward his friends: always faithful and never traitorous toward the Government, be it Democratic or Republican, will be valued at his true worth, not only by the South, but by the North, not only by the East, but by the West.

"No man is born into the world whose work
Is not born with him; there is always work
And tools to work withal, for those who will;
And blessed are the horny hands of toil."
—Lowell.

JOHN MITCHELL, JR., *Chairman.*
President Mechanics Savings Bank, Richmond, Va.

Address of George E. Edwards, President of the Savings Bank Section

The foundation of progress, in all banking, is efficient and adequate service to customers and depositors. Progress in savings banks is not excepted from this rule. During its sixteen years of life, the value of the Savings Bank Section in stimulating progress has been proved time and again. In the association of its members affording opportunity for the exchange of ideas, in the maintenance of a central bureau for the collection, analysis and dissemination of information concerning methods, investment of funds, etc., it has more than justified its existence and the expectations and hopes of those who have been active in its government. The men who brought it into being and guided its affairs after birth, were men of influence in the banking world, who appreciated in full measure the responsibilities of trusteeship and contributed in a large degree, not only to savings bank progress, but to the progress of our economic life.

The excellent results evidenced from the work of the past year find their cause in the healthy and profitable growth of the previous years. Six years ago the Savings Bank System started a nation-wide thrift campaign resulting in public and social institutions adopting the teaching of thrift as a definite part of their activities; thousands of banks have distributed thrift literature and their officers have become organizers of and teachers in schools of thrift. The work of the Section in promoting thrift is deserving of the highest praise.

The Section has made a careful study of legislation affecting railroads and their securities. It has opened up the questions of greater liquidity of savings bank assets and the desirability of securing currency in times of emergency through direct or indirect relationship to the Federal Reserve System.

The effect the Federal Farm Loan Act will have on the mortgage loan business of a savings bank has been and is being closely observed. Our office is well equipped and prepared to effectively serve Association members in all matters pertaining to savings banking.

The strength of the Section is increasing. It has become a vital factor in the affairs of the Association and the splendid co-operation in the General Office between the Savings Bank Section and the other Sections of the Association is most gratifying.

Much work is still to be done in the mutual savings bank field. It is recognized that the potentialities of the mutual savings bank are great. Unlike other banking institutions, they have no capital stock, nevertheless, they fill a public demand and hold, to a high degree, the confidence of their depositors. The proper investment of the depositors' funds is important in the business of a mutual savings bank. Equally important is the part the savings bank should play in the life of the individual depositor and the character of service rendered to him by the bank. In rendering service effectively, the prime essential is the confidence of the person receiving the service.

The success of a savings bank is based upon confidence. Confidence, therefore, should be cultivated and deserved.

At a recent meeting of the Savings Banks Association of New York State, a committee made several significant suggestions in the line of progress. Some of the suggestions were: That the list of investments, legal for savings banks should be enlarged, to include loans on collateral, short-term securities, and on pass books, bankers' acceptances and certain classes of commercial paper eligible for rediscount at the Federal Reserve Bank through a bank or trust company member.

The oft quoted advice, "Leave well enough alone," should be heeded no longer. The public demands service in keeping with the times, and it will be supplied with such service by government agency or otherwise. The mutual savings bank should be conservatively progressive.

E. L. Robinson in an address a number of years ago characterized the service of a savings bank as the "Department of Mercy" and said: "In our savings banks the Gospel of Push does not crowd out the Gospel of Helpfulness, and it is our nature to 'seize the day' for relieving the pain of the world. Considerations of profit are subordinated to the great privilege of lending a hand. The wide range of opportunity for material gain enjoyed by David Harum is forbidden to us; many legitimate avenues of profit and promotion open to the commercial banker are closed to us. We must keep far from the strife of business conquest, and content ourselves by playing a humbler part; the great opportunity we enjoy is the chance to be useful and faithful in our trust."

The service a savings bank renders to its community does not depend entirely upon laws, rules, charters or methods of doing business, but largely upon the character of its officers. Savings bank officials through ultra-conservative management may unintentionally impair the bank's business. While they should keep within the letter of the law, and the confines of rules, they should not fail to seize every opportunity "for relieving the pain of the world." They should not confine their activities to securing proper investments, but should in every possible way aid their depositors and promote their education in thrift and finance.

The mutual savings banks of the country have more than eight and a half million depositors, embryonic capitalists and successful citizens. What an excellent opportunity the banks have for helping the beginner up the hill of success! There are one hundred thousand people in Albany, N. Y., and the number of depositors in the seven savings banks equals the population. To Albanians the savings bank is a school where they learn the rudiments of personal finance, on which rests the building of business success. Every mutual savings bank should be such a school. Every savings bank officer should be a patient teacher, realizing that substantially all his depositors are beginners in finance and need the training and advice which he should be able to give.

It is proper, therefore, that we should from this time on give great consideration to the education and aid of the depositors. War will

bring to many homes privation and suffering. For years to come if the war continues, families will require all the sympathetic care and practical assistance it is possible for us to give. Our economic and social situation after the war will not be the same as before. The whole world will change and each must be prepared to do his part in bringing order out of disorder. We should therefore, gird ourselves for greater effort, for the aid and education we give now, even in the smallest things, will help to determine the future happiness of the people of our country.

The problem of war finance is a matter of vital moment. This I will not dwell upon at length, for it was well discussed at our meeting this morning.

The Section has devoted considerable time and attention to the subject, particularly since the Spring meeting of the Executive Committee.

The activities of the Section's office were given over in their entirety to the first Liberty loan campaign, and since June 15, when the loan books were closed, they have largely consisted of a consideration of the next and succeeding loans, and how best we might act to curb the tendency of savings depositors to make heavy withdrawals from savings banks to pay for war bonds. The Secretary assisted in preparing a plan for the flotation of the next loan, which, in the main, is for an intensive thrift campaign. President Goebel of the American Bankers Association offered the plan to the Secretary of the Treasury, and copies were furnished to the governors of several Federal reserve banks.

War finance in this country has no parallel. Investors in England liquidated their holdings of American securities through government sources, which in turn sold them in American markets. Approximately three billion dollars' worth of American securities were returned to this country through such process. In this country, however, there is but one source for us to go to for money to carry on the war, namely, the current savings of our own people, increased by greater production resulting in increased earnings.

If the nation is to raise billions of dollars the first year of the war, the person with the smallest wage must purchase bonds. It has been estimated that the savings ability of the people of the United States is about eight billion dollars per annum, almost 20 per cent. of their entire income. This is estimated at only four-sevenths of the needed funds. Consequently, much greater must be the production of the people to secure the additional savings. Expenditure may be lessened by eliminating luxuries, but with the cost of living mounting, and the purchasing power of the dollar becoming less, it is going to be difficult to float war loans without drawing on past cash accumulations. It is manifestly necessary therefore, that money saving be taught on a wide scale; in the school, in the factory, in the home, in the church, in every conceivable place the people should learn the lesson of thrift; to save in the smallest things, not skimp nor stint, but to live sensibly and eliminate luxuries for the period of the war. It is not to be feared that the American people will suddenly turn to miserliness. They are not so constituted. The condition is more likely to be the reverse. With increased wages, luxuries seem necessary comforts. Such a condition obtained in England. Its curbing was due to an intensive thrift campaign, the details of which Mr. Blackett described to us in such an interesting manner this morning. The Savings Bank Section has been of inestimable value in the past to the entire country, through campaigns. It has directed for encouraging money saving. It is eminently qualified, through the banks of the country to conduct another campaign, which will forcefully bring to the attention of the American people the necessity of saving in order to meet the exigencies of war and bring it to a speedy and successful conclusion. I propose, therefore, that this Section offer to the Convention of the American Bankers Association its services in conducting a great nation-wide thrift campaign in co-operation with the Government. The banks will undoubtedly respond and in the final analysis, communities will be improved and the people will be happier and made more comfortable, because they will have learned and will appreciate the lesson of thrift.

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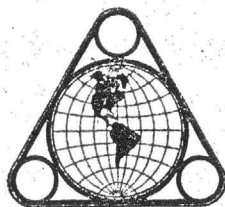
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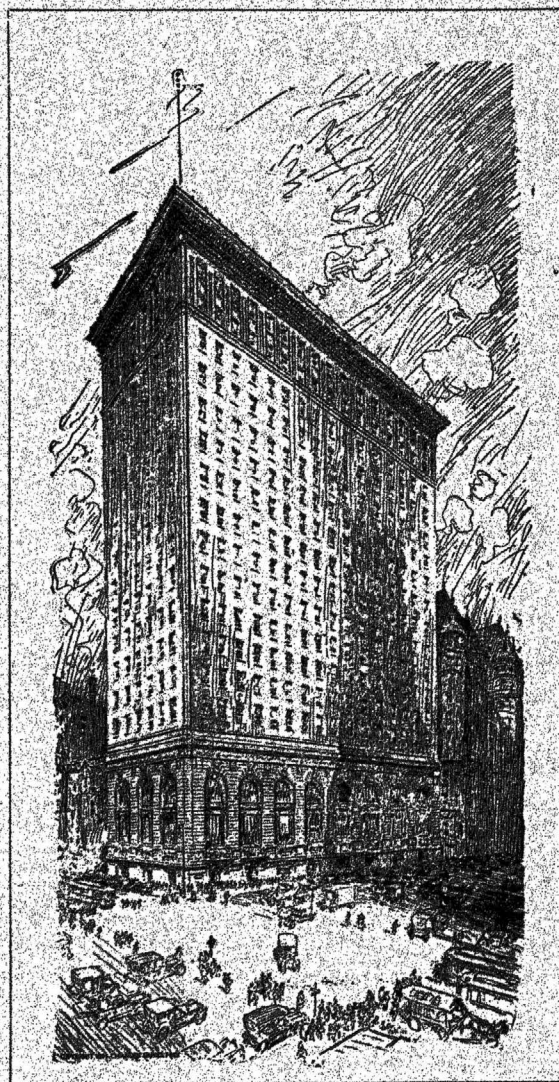
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