Index

American Bankers Association

Guides

Proceedings of the Convention of the American Bankers Association

GIVING PROCEEDINGS OF THE CONVENTION OF

AMERICAN BANKERS ASSOCIATION

HELD AT SEATTLE, WASH

SEPTEMBER 24 TO SEPTEMBER 28, 1920

October 14, 1920
The Convention and the War

That the outbreak of European war, occurring as it did less than one month before the assembling of the American Bankers Association at Seattle, on Sept. 24, for its annual convention, was the uppermost consideration in the minds of the delegates, no one can doubt. But three or four weeks are too short a time for even the most discerning banker to envisage the duration of the conflict, its political and military consequences, or its economic repercussion in the United States. It may indeed be said that the series of incidents, since Germany invaded Poland on Sept. 1, gave little basis for conclusive judgment regarding the duration, probable character and longer results of the war, or regarding its repercussion upon our own markets, or regarding public judgment as to the manner in which the United States shall best preserve neutrality.

Actual news developments of the intervening period had been in all respects confusing. In Europe they had been made up of Germany's bloody subjugation of Poland, the beginning of an aggressive submarine campaign against British ships, invasion of eastern Poland by Russia (acting evidently under treaty arrangement with the German Government); the slow advance of the French army in the West into German territory guarded by fortifications. On these considerations were superimposed the enigmatic attitude of Italy toward Germany, which may or may not mean a rift in the paper alliance of those two countries—an attitude possibly forced by Herr Hitler's astonishing league with Soviet Russia—and, finally, Herr Hitler's own speech of Friday, Oct. 6, to the Reichstag. This came after the bankers' Convention had adjourned. Actual significance of that two-hour deliverance which, while asking for peace, conditioned it on Herr Hitler's having his own way with weaker States in Central Europe, has even now not been evident to American readers.

The course of events in the United States had been hardly less bewildering. At the outbreak of war in 1914 our own Stock Exchange, dreading the American market's complete collapse, had shut down for nearly five months. In September, 1939, it rushed at once into a wild carnival of speculation for the rise, based on prospective war orders, in which stocks, especially of companies manufacturing war materials, advanced 15 points or more under transactions which brought the monthly total of shares sold from almost the smallest August since the World War to the largest September since 1932. The low-interest Government bonds had temporarily fallen, under unprecedentedly large selling, below their issue price of par. Wheat had advanced in a week from 68½c. at Chicago to 89¼c.

Yet a few weeks later the stock market lost on the average nearly a third of its early impulsive gain. United States Government bonds had risen again above par; wheat had fallen from 89¼c. to 80c. The beginning of debate in Congress on proposed amendments to the neutrality bill at once introduced the widest imaginable cleavage of opinion as to what restriction on our sales to belligerents would decrease the probability of our own possible involvement in the conflict and what would increase that probability. It could scarcely be expected that even the most impartial and enlightened speaker at Seattle would have ventured, at such a moment, to suggest financial plans or policies, which must necessarily depend in large measure on the future progress of events.

Of necessity, then, the Convention's speakers and resolutions approached the war problem cautiously. They wisely applied their own analysis to the economic position in which the United States faces the shock of European war. The report of the Eco-

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nomic Policy Committee declared that the effects of a European war on our own economy "will de-
pend on such unforeseeable factors as the duration of the conflict and the nature of the consequences
to the participants." They warned that the huge
volume of nearly idle deposits and the vast excess of
reserves in our banks "might easily be used in
ways that would produce unduly rapid price ad-
vances and foster undesirable forms of speculative
activity." Therefore the Committee advocated a
policy of "prudence and thoughtful care" in use of
these resources. It thus regarded the question of
our foreign trade, which had such remarkable vicis-
situdes in the war of 25 years ago:
Probably the values of our exports will be increased,
and our foreign trade with neutral nations will be ex-
panded. These effects will be partly offset by the fact
that large areas of our foreign trade have already been
eliminated by the war, and that even those combatants
which continue to purchase goods from us will limit their
takings to war-time necessities.
But the burden of the speeches was much more
emphatically to the effect that a policy should at
once be adopted to put the United States in the
proper position to meet an emergency. The Con-
vention's own resolutions expressed belief that the
present increase of business activity will continue
throughout the year, and that the Nation's banking
institutions are prepared to meet adequately and
promptly all demands. But they added that "it is
our belief that an approach to a balanced budget
should be the primary object of our fiscal policy,
to the end that sound national credit may be main-
tained." The retiring President of the Association,
Philip A. Benson, declared to the convention:
The least that we should accomplish is the end of dis-
union within our own borders. We have had our full
measure of drastic changes imposed by legislation. It is
necessary to have an opportunity to digest them. What
we need now more than anything else is stability.
The new President, Robert M. Hanes, in his
inaugural address took a more cheerful view:
During the past decade the world has been engrossed in
economic and political issues and panaceas.... Now
there seems to be a turning of the tide. To those who
have courage and are awake, a new day is dawning.

This may be so; it has always been the case that a
real emergency, involving public safety, public
resources and public credit, will compel an adminis-
tration to surround itself with experienced financ-
ciers and men of affairs, even if it had theretofore
taken its public policies from young idealists or
class-room economists who had little or no experi-
ence with the realities of economic life. Yet the
Convention's own feeling obviously was that some-
thing more than selection of an Advisory Commis-
sion, temporary or otherwise, will be required.
Fred I. Kent told the bankers at Seattle what was
absolutely essential:
The great war that is now going on says to our Govern-
ment and to our people, in no uncertain terms, that they
must get together and take such action as is necessary to
restore industry in the United States or we will be unable
to hold our own in the world turmoil. This requires
rescinding or correction and clarification of all laws
that prevent the sound functioning of private enterprise
that are in existence today.
Mr. Kent added that, while the passing of unwise
war emergency laws because of fear that somebody
may make a profit "is almost criminal," neverthe-
less "no right-minded person wishes to further the
building of so-called war profits at the expense of a
Nation." This is unquestionably the feeling which
prevails throughout business circles. Few people
wish to repeat the experience of 1916, when Amer-
ican manufactories of peace-time goods were con-
verted on a prodigious scale to output of war ma-
terial. Indeed, the sequel, when peace returned
after 1918, must itself have taught its lessons.
Meanwhile the fact remains, and was cordially
recognized at the Seattle Convention, that recovery
in American industry is rapidly in progress. That
recovery, though it may have been hastened by the
events of September, did not result from European
war. It was predicted and foreshadowed, both on
the markets and in the reports from industry, many
weeks before hostilities began. This recovery, not
out of line with such advance predictions, has
already brought the pace of industry back to what
it was in the summer or early autumn of 1937.
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The Future of the Metropolitan Bank

By H. Donald Campbell, President The Chase National Bank, New York, N. Y.

The privilege this morning of presenting to you a speaker who is well known in your city and needs no introductions to a society accustomed. He came here, I am informed, some 33 years ago, after graduating from college and from law school, and made Seattle his home for a number of years. In 1912 he entered the service of a bank in this city whose officers have for many years been close personal friends of mine, the Washington Mutual Savings Bank. He was first elected Assistant Secretary in 1912, later becoming Vice-President and director. Later, he had a call to come back to my City of New York, and he did so, to accept the Vice-Presidency with a New York banking institution. Since 1939 he has been an officer of one of the greatest banks in the world, the Chase National Bank of the City of New York. This gentleman is a leader in metropolitan financial affairs, and he actively participates in the commercial life of the country. He is well qualified to speak to us on this subject assigned to him.

Mr. Campbell’s address follows:

I am asked in this short talk to you today to take a look into the future. Any attempt to forecast future events lies in the realm of prophecy, and the lot of prophets is not a particularly happy one. However, there are certain underlying truths which we can appraise, and certain forces which we can test. I shall attempt to do so, but will ask you to keep in mind the symbol sometimes attached to balance sheets—the letters E and O. E., certifying that the account is all right, except for errors and omissions.

At the outset, however, I should like to make one unqualified prediction. In my opinion, banks, both large and small, have a future in this country, and a future of such consequence and significance that the trials of the present will recede far into the background of our memories. Not as yet are the services we render so outmoded that we stand in danger of being relegated to some museum. The work in which we are engaged is much too vital and essential in the conduct of the business of the country.

Adaptability of American Banking

In the development of the United States from a fringe of sparsely settled communities along the Atlantic Seaboard to a great nation, banking institutions have made an indispensable contribution. Economic activity and growth have been financed, the use of savings facilitated, and funds transferred readily from one geographical area to another. In the pre-Civil War period, the Suffolk banking system of New England, the commercial banks of New Orleans, along with many individual institutions in different parts of the country, established high standards in banking policies and practice. The post-Civil War period witnessed the continued development of State banking systems and the growth of the National banking system. Through the entire history of this country, the banking system has been in a constant state of development. It has had to adapt itself continuously to changing economic conditions. It has survived severe depressions and deeply rooted political antagonisms. One hundred years ago, anti-bank sentiment was particularly violent. As serious as this animosity seemed at the time, it proved to be a temporary barrier. In that situation, as in others, the importance of credit institutions to the country’s well-being was soon realized.

In this process of constant adaption to environment, banks located in centers of industry and commerce grew as industry and commerce grew. Many had to be large in order to take care of the enormous financial demands of big enterprises. Size in and of itself is not an injurious thing, nor yet a dangerous thing. It must always be borne in mind that size is relative to surroundings. In many respects the relation of the big bank to a large business is precisely the same as the relation of the country banker to the farmer or local tradesman. American banks, whether they be large or small, all take deposits, all make loans, when they can, all buy Government obligations, all buy bonds, many have trust departments, and most of them hold securities in safekeeping for their customers.

Services of the Metropolitan Bank

At the same time, the metropolitan bank has developed special functions as a wholesaler of credit for the purposes of the security and commodity markets, as corporate and agencu-trustee, as a correspondent bank for international payments and a provider of credit for foreign trade, and as a correspondent and depositary for banks throughout the country.

The process of growth and adaptation has been a continuous one. In recent years, investment service, oil and public utility departments have been organized. Personal and installment loan departments and metered checking services have been provided. Branches have been opened for the convenience of neighborhood customers. These functions do not differ so much in kind, as in magnitude from the services which small banks habitually render to their customers. A matter of fact, the facilities which a big bank renders to its banking correspondents places at the disposal of smaller banks and their customers the services of the metropolitan bank. This bank system of ours provides an extraordinary example, vastly beneficial to the development of the country, of local self-government in banking.

The financial power of the United States is held by the customers of some 14,000 banks, scattered all over the country, ranging in size from the neighborhood bank in farming communities to the metropolitan banks situated in the centers of industry and commerce. These big banks, while some of them compare in size with the largest financial institutions abroad, do not comprise a group of four or five great banks which, through their myriads of branches, make up practically the entire commercial banking strength of a country, as is the case, for example, in France and Great
GENERAL SESSION

We are all subject to rules and regulations, as every banker knows, but no one bank in the exercise of arbitrary power can choke off the flow of credit to a thrifty business man. This vast banking net-work with 14,000 outlets makes it possible in almost every year and almost every season for the worthy borrower, whether large or small, to get a loan when he needs it, irrespective of the bias or predilection of any individual banker. How much this has meant to the growth of American industry and commerce no man can ever justly appraise.

Common Future for Large and Small Banks

What I have said about the likeness between big banks and small banks in the services they render the public, suggests that we cannot speak about the future of the one without also speaking of the future of the other. Whether the institution with which we are associated is large or small, we live and work in a common economic and political environment. Whether located in industrial regions or in farming communities, whether primarily commercial or investment in the services rendered, all banks will be equally affected by those factors that make for progress or retrogression. Each and every institution, whatever its size or character, will be subjected to the same stresses and strains, the same trends and developments. The work they both do—indeed, the work they have done—for the development of the country, is so similar that it is impossible to foresee the future of either the large or small bank without attempting to forecast the future of the banking system of the United States as a whole.

Present Conditions Not Necessarily a Guide to Future

Exclusive emphasis on present conditions could easily make one pessimistic as to the future of banking. The bare subsistence level of bank earnings, the lightened character of commercial bank assets, a decade of Federal deficits, the sub-normal level of economic activity, the vast numbers of unemployed, are ever present in our consciousness and could readily cause us to despair.

This brings me to the question which I think underlies our whole discussion. Will future conditions in the United States still demand services from banks in a volume sufficient to support the vast banking apparatus as we know it? Bad though the current situation is, the experience of the past has shown that prophecies based on current conditions are frequently wrong. Beyond our limited horizon lies a future that I feel will be far different from the dire predictions of some of our contemporaries.

The great American system of commercial banks has as its primary function the supplying of credit in response to the legitimate demands of business. While the field of credit has become immensely wider with the passing of the years, the extension of credit to business still remains the function to which we are most accustomed and which I believe will once again attain significant proportions.

In addition to the function of supplying credit, American banks have taken on innumerable services which they perform for the public. Those outside the banking profession are frequently unacquainted with the many services banks perform as they are of the air they breathe. American banks, more so than those in other countries, are generous in the multitude of functions performed for customers, which are indispensable to a smooth operation of business. They must be rendered by some organization. The commercial banks have done this work in the past and have the facilities to do it in the future.

Costs Incurred by Banks in Services Rendered

In serving as the bookkeeper of the country and as a source of credit information, the banking system is involved in heavy costs. The magnitude of these is little appreciated outside of our own ranks. However closely we watch costs and try to keep down operating expenses, the outlays for these specialized services press heavily upon us. In other days they were easily met out of the proceeds of lending deposits. What a mockery it is, in these days of ever mounting deposits, that we have come to look upon them, not as a means of revenue, but as an added item of expense! I know of one bank which pays Federal Deposit Insurance Corpora-

The Riggs National Bank

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Robert V. Fleming
President and Chairman of the Board

George O. Vass
Vice-President and Cashier

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In consequence, to an extent greater than is true of smaller institutions, it has had to forgo the return on long-term bonds, which, as low as it is, is a higher return than the infinitesimally small return on short-term obligations.

Added to the handicap of low interest rates is the fact that to a varying extent all banks must face the competition of savings agencies. I would give little attention to this competition unless at the same time I were to give full recognition to the effective work done by certain Government credit agencies in the matter of financial reorganization during the great depression. To go beyond this and to use these agencies as a substitute for commercial banks at rates of interest fixed at artificially low levels in order to compete with these same commercial banks, struggling desperately to sustain themselves, seems to me to be both unfair and short-sighted.

**General Effect of Easy Money Policies**

Commercial banks are not alone in experiencing the consequences of the present national monetary policies. The easy money policy has permeated the entire economy. The thrifty and prudent have been penalized through its effect on the return from their savings and investments. Millions of individuals are paying more money for life insurance which they carry to protect their families and dependents. Universities and endowed institutions have had to curtail essential expenditures. I do not believe this easy money policy has had the effect on our public expenditures to keep salaries at their present levels. The easy money policy has constituted a heavy tax upon all who possess capital, whether much or little.

In my opinion interest rates cannot remain pegged at their present levels. Existing rates do not represent an equilibrium between savings and the demand for long-term funds. For a time the true situation has been disguised by Government deficits, by the financing of these deficits through the banking system, by the swelling of bank deposits, and by the growth in excess reserves.

Until the beginning of September this made for an inflation in the bond market comparable to that of the stock market a decade ago. That this could not continue indefinitely has become strikingly evident to us in the past few weeks, and I have no doubt that interest rates. in time will rise to less artificial levels.

**Low Bank Earnings a Matter of General Concern**

The question of bank earnings concerns not only men like ourselves who are operating banks. It concerns the whole country. The reasons why earnings are a matter of national importance are very clear. I shall not attempt to justify the first is one I have already touched upon. Banking services of a non-lending nature, which are so important to the business life of the country as a whole, do not pay their own way and are, therefore, dependent upon the general financial situation of the country.

The second reason why bank earnings are important to the business public of the country is that net worth must grow if a suitable ratio of capital funds to raising deposit liabilities is to be maintained and if new banking capital is to be provided for the future. America has not stopped growing, and American business will need a strong and growing banking system. The need for adequate reserves against losses on loans has been amply demonstrated in the past, and national and international economic life has hardly become so stable that losses are not to be expected in the future. When this risk factor is taken into consideration, I sometimes wonder if in reality we are getting any interest today on our loans and investments.

I am not suggesting a mandatory capital-deposit ratio for banks. Such would be the height of folly. Whether a particular capital ratio is adequate or not depends upon attendant circumstances. The cash holdings of banks, which are very large now, must be taken into consideration as well as the value of the bank assets. All that I am suggesting is that a growing business, subject to unpredictable risks and uncertainties, should have a growing capital account. The present low level of bank earnings, a condition which tends to influence banks to assume greater loan risks, makes the banking up of such capital agencies a difficult task not easy to carry out.

In the midst of war uncertainties banks to an increasing extent will be obliged to revise their concept of the risk factors involved in fixing rates of interest on loans. Excess reserves or no excess reserves, we must have an insurance element to guard against the possible loss of depositors' money safely in the midst of a great war. In the last war both banks and businesses increased their surplus and undivided profits accounts while the boom was on—and those capital reserves were their salvation when the post-war liquidation came. The few differences now than resemblements between the course of the last war and the present war, but I have great confidence in the proposition that, sooner or later, we shall find a strong capital structure and an adequate liquidity exceedingly welcome in a time of readjustment.

**New Lending Fields**

As I suggested before, the banking system of the United States is a living thing. It has had to adapt itself to changing conditions in the past and will continue to do so in the future.

In searching for needed sources of income, commercial banks in recent years have ventured far into new fields of lending, sometimes reluctantly, sometimes tentatively, sometimes experimentally. One of the most important of these is that of term loans, which have come to occupy a significant place in the portfolio of the large bank.

A recent study by the Board of Governors of the Federal Reserve System revealed that the total of such loans comes to well over $500,000,000, or 2% of the total volume of commercial, industrial and agricultural loans of all reporting member banks. Over half the total volume of such loans has been extended by the New York City banks.

The growing competition for such loans has led to lower rates of interest, to longer maturities, and to a concentration of payments in the latter part of the life of the loan. In view of the risk factor attached to long-term capital loans, such concessions are not surprising. There are always possibilities of changes in management, in business conditions, or in the competitive situation in particular industries, any one of which would greatly alter the position of the borrower.

Existing conditions have also forced banks into the field of personal loans and retail installment financing. So important has this activity become that the Association of Reserve City Bankers sponsored a very extensive study of this entire field.

**The Commercial Loan Demand**

Given an improvement in business conditions, commercial banks will experience a sharp revival. It will be remembered that the commercial loans of all member banks increased between June 30, 1936 and June 30, 1937—a period of marked business expansion—from $3,400,000,000 to $4,700,000,000, or by $1,300,000,000. This was one of the most important increases in bank loans ever experienced in a comparable period of time.

The recent trend of business activity has been encouraging, and I believe that it will not only continue to improve of its own momentum but that it will also receive a very decided impetus from the new conditions prevailing abroad since the early part of this month. I also have in mind the broader markets available to us in Latin America and other parts of the world because of the inability of the large industrial countries of Europe to devote as much attention to them as in the past.

Thus we may expect an increased use of our superabundant bank deposits, a quickening of productive activity, a rise in capital values, and finally, greater employment and a fuller utilization of existing plant and equipment. To set this sequence in motion complete recovery is not required; the improvement we are now experiencing should be sufficient. And I need hardly add that when business men can look forward with confidence to the future policies of the Government, the pace of the improvement will be accelerated perceptibly.

Already there is increased borrowing demand. Rates of interest have shown a rising tendency. Banks are going to have larger income from current operations than seemed probable a few weeks ago. We should and will lend to all sound applicants for loans. If a war boom develops, we must remember to apply all those safeguards that bankers know how to apply in protecting the quality of bank credit—
The Economic Effects Upon This Country of the Present European Conflict

By DR. PAUL F. CADMAN, President American Research Foundation, San Francisco, Calif.

In introducing Mr. Cadman, President Benson of the Association, said in part:

"We are fortunate in the selection of our next speaker. He is an economist who has the happy faculty of making economics truly interesting. He received his Doctor of Laws degree at the University of California, earned a Doctor degree at the University of Paris. He has been successively Executive Secretary of the National Manufactures Stock Exchange, Banker of Corporate Finance and Investments in the University of California. Since 1895 he has been in private practice as a consulting economist. Since 1893 he has been a consultant in current events in the San Francisco Chapter of the American Institute of Banking. During the past summer, the students at the Graduate School of Banking at Stotesbury had the privilege of listening to a series of interesting lectures that he delivered there, under the auspices of the President of the American Banking Foundation.

Dr. Cadman had kindly consented to talk to us this morning when we discovered that he had been selected by the President, Mr. Harriman, to talk to us. He is an authority on banking and with whom we are familiar. At this time we asked Dr. Cadman to discuss the subject which is printed in the program, "American Banking and a Free Banking System." This all happened, of course, before the outbreak of the war in Europe, and since that subject was assigned to him, we have found it has been treated by other speakers at this convention, and in view of present world conditions, we have thought it wise to ask him to discuss instead of the subject of the program, "The Economic Effects upon This Country of the Present European Conflict." Dr. Cadman has been good enough to oblige us and to do this, I know it is a subject that concerns all, and I am sure that his address will interest us all intensely.

Dr. Cadman's address follows:

Mr. President, Ladies and Gentlemen: If I had not been so greatly solicited by the wise and far-seeming remarks of the two previous speakers, I think I would feel in a little face-ious mood, for this is the first time that I have ever been called upon to pinch-bit for a United States Senator.

Not so very long ago a good friend of mine who was Vice-President of the Chase National Bank presented me to Mr. Campbell, and I was reviewing with him in his office

"If S. Senator Hartson of Minnesota who had originally been selected to address the Convention."

We are fortunate in the selection of our next speaker. He is an economist who has the happy faculty of making economics truly interesting. He received his Doctor of Laws degree at the University of California, earned a Doctor degree at the University of Paris. He has been successively Executive Secretary of the National Manufactures Stock Exchange, Banker of Corporate Finance and Investments in the University of California. Since 1895 he has been in private practice as a consulting economist. Since 1893 he has been a consultant in current events in the San Francisco Chapter of the American Institute of Banking. During the past summer, the students at the Graduate School of Banking at Stotesbury had the privilege of listening to a series of interesting lectures that he delivered there, under the auspices of the President of the American Banking Foundation.

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Dr. Cadman's address follows:

Mr. President, Ladies and Gentlemen: If I had not been so greatly solicited by the wise and far-seeming remarks of the two previous speakers, I think I would feel in a little face-ious mood, for this is the first time that I have ever been called upon to pinch-bit for a United States Senator.

Not so very long ago a good friend of mine who was Vice-President of the Chase National Bank presented me to Mr. Campbell, and I was reviewing with him in his office

"If S. Senator Hartson of Minnesota who had originally been selected to address the Convention."

We are fortunate in the selection of our next speaker. He is an economist who has the happy faculty of making economics truly interesting. He received his Doctor of Laws degree at the University of California, earned a Doctor degree at the University of Paris. He has been successively Executive Secretary of the National Manufactures Stock Exchange, Banker of Corporate Finance and Investments in the University of California. Since 1895 he has been in private practice as a consulting economist. Since 1893 he has been a consultant in current events in the San Francisco Chapter of the American Institute of Banking. During the past summer, the students at the Graduate School of Banking at Stotesbury had the privilege of listening to a series of interesting lectures that he delivered there, under the auspices of the President of the American Banking Foundation.

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one of my experiences in this regard, in which association and memory played me a very happy turn. I was supposed to be in a debate with the champions of the theory that you can generate wealth by spending money, and after a very elaborate and carefully prepared defense or, rather, explanation of the functions of money, my opponent declared rose and said, "We are going to give you twenty and a half billion dollars. Do you want it, or don't you want it?"

And I submit to you that that is an unanswerable argument.

However, when the audience was restive and the heckling began, there came to my mind a story which I heard MacDonald's son told some years ago when he was touring America. He said that the British students have really very little respect for public speakers, and that the Oxford Union, which should be the seat of everything that is sedate and conservative, frequently invited the politicians of the Empire to come down and address them.

On one occasion they had a very portly gentleman who was a candidate. It was a very warm evening, and he perished profusely. He was not only very portly, but he was very sentimental. At a moment in his baragane he wished to say that his conscience was clear, so he struck a pose as best he could with his portliness, and he stretched out his arms to this student audience and said, or started to say, "If I should die tonight," but he waited just one fraction of a second too long, and a very drippingly obvious student in the back of the audience put his hand up to his mouth and called out, "Then the fat would be in the fire."

It is patent that this is no time for pride of opinion or even for the exploitation of the special advantages which may arise from experience or study upon the part of any who attempt to analyze and review these difficult days.

I am feeling with you very deeply the fact that the overwhelming opinion of the American people, as expressed not only by our officials but by the polls, is the declaration that "we wish not to participate in this struggle." I think neutrality is perhaps an unhappy word, because it implies that we do not take sides, and that is not so. What we mean is that we do not wish to participate. Whether or not that opinion will prevail, only time can tell. But it is clear that at this moment we have expressed our will in an overwhelming degree that we do not wish to participate.

That very fact alone makes it possible for us to do some analyzing and reasoning about our own state of affairs which otherwise would not be possible. If we were in a condition of emergency, if we had declared war, then all of us with any consciousness of the importance of national participation would temper our criticism and we would offer our country too long to escape the psychologies and the philosophies and the influences that have destroyed the liberties of 300 millions of people in Europe, we must be on guard against those persons and those agencies who deliberately stir up people to discontent, for the appeal does not prevail, and said, the declaration that "we wish not to participate in this struggle."" I think neutrality is perhaps an unhappy word, because it implies that we do not take sides, and that is not so. What we mean is that we do not wish to participate. Whether or not that opinion will prevail, only time can tell. But it is clear that at this moment we have expressed our will in an overwhelming degree that we do not wish to participate.

But before I do that, I feel very deeply the burden of saying that among the things that threaten our liberties most and the deliberate appeals to discontent, and that if as a people we are not wise to organize and discuss so that the future is not again to be the victim of mistakes.

Well, you and I have watched this appeal to discontent and it has come as a result of the operations of the workings of the great laws of supply and demand since the declaration of war. Four times in the last week I have turned the dial of my mind and listed to organized discussion quite obviously programmed and planned to persuade a large number of our people that any and all price rises in the American markets were due to racketeering, and nothing could be further from the truth.

There are racketeers in human society in every stage of history that has ever been known, and they are not at all economic racketeers. The political racketeers have vied for distinction in every field.

But the deliberate attempt to persuade the American people that there are selfish men who deliberately sit down and propose to benefit by the sufferings of the people in a time of this like this is an outrageous thing, and it is high time that the people understood that they are cut off from the control of the price of anything and that the laws of demand and supply which are at work, even though they may be interfered with and even though they are from time to time curtailed, are so great that no government or no coalition of governments or no individual can interfere with their operations.

What you had in these recent weeks was a recognition that when 10,000,000 men are under arms, the production goods will be curtailed, and what you had also was a recognition that when the shipping of the world, both of belligerents and neutrals, is either handicapped by hazards or is actually drafted for the exigencies of war, the transportation also becomes scarce, and you lift off from the surpluses and from present production the pressures, and you create by natural processes a phenomenon of credit, and in the market, and there isn't anything you can do about it.

We have been slow in recognizing that in this country we spend more than $500,000,000 a year for rubber. It is the largest single item of import into the United States in terms of money, second in the second in the value of exports, and sugar. When you have these tremendous demands for these commodities and a recognition either that production will be curtailed or that transport will be difficult, immediately demand asserts itself, and not only nations but purchasing agents and individuals, yes, even the housewives, begin to lay in supplies, and what happens is that there is bidding for existing stocks, and the bidding for existing stocks is an influence on prices which can never be denied.

Some people say, "Does this mean that because there is a war, America is to have prosperity?" The bulge in the budget market has been misinterpreted by many, and there is the carders assumption that somehow we may have a repetition of what happened between 1914 and 1918.

I was deeply impressed with the wisdom and validity of the findings of your Committee on Economic Policy. I would like to add to those findings just this word of evidence which is already known to that Committee, namely, that there is a vast difference between the conditions which now prevail and the conditions which prevailed at any one of the epochs of the last war, either 1914-15, 1916-17 or any other of the epochs, because generalizations about that whole period are useless and averages for the whole period do not conceal the facts. But if you take the conditions at the opening of that war and compare them with the opening of this war, you will find that this war will not appear at this moment to be strongly against our having a war boom. It is one thing to have a firming of prices—we have already seen that for the most part it was good, because as the price of money was too low, so the price of a great many commodi- ties was too low in terms of the human effort that it takes to produce them.

What we witness today is a different set of conditions, and there is little likelihood that this market will suffer—and I use the term advisedly—a boom, even though it may enjoy a firming in its price structures. The reasons why it is not
likely to enjoy a boom—if you think that a market does enjoy one—the reactions are usually too violent and too destructive. Let me trace for you very briefly the history.

In 1914, England and France were not ready for war. They were taken by surprise. They had to mobilize quickly, and they had to organize meager forces. In 1939, they had been preparing for war for more than 2½ years, and even though it is said they were not ready, their preparation was immensely valuable.

In 1914, England and France had immense purchasing power, and their credit, so far as international credit was concerned, was at the peak. In 1939, they, in common with all of the democracies, had extended their credit so far by processes said to be social and said to be for reconstruction, that that credit is impaired, which is not to say that it is destroyed, for it is not.

In 1914, England and France advances to their eastern allies, to Russia, to Serbia, and others, $3,300,000,000, of which was spent in America. No such situation today prevails.

In 20 years that have elapsed since the outbreak of the great World War, the productive capacities of the entire world, with the exceptions of Australia and the Dominions of Canada, of France and England have increased, as have ours, and there is in the world today not only stored up goods for this war activity but there is the immense capacity of a vast and developed and modernized industrial output. I can see no other reason why that type of inflation which reaches boom capacity. On the contrary, it seems to me that inflation at this moment is remote.

One ought to reckon with the immense powers of production, one ought to reckon with the paralysis of transport, one ought to reckon with the conditions in the money market which have been so accurately and helpfully presented to you this morning, and in the findings of your Economic Committee. One ought to see that the stage is not set for one of those furious periods of demand.

The purchasing power of people now which France and England possess in terms of American securities which they hold and of their present gold reserve will no doubt be conserved, they will not be spent quickly but will be held in check against the emergency that may develop if and when this becomes a long war.

So we ought to be very sober in our reactions to this matter. One can never help the flurries of human hysteria in the stock market. The stock market itself may have been at levels in which there was a genuine reflection of the withheld demand in this country when the crisis was first expressed itself when this catastrophe was announced. The boom in the "war babies" is a thing that you could expect, it is a thing that is very easy to understand, because the speculative mind is seldom analytical, it does not go down into the history, it does not consider the figures, it is not often concerned with a balance sheet. But that market will correct itself. It always has, and it has great strength within it because it has been heavily liquidated over a long period of time. I can see none of the forces that will unsettle our price structure nor can I see any of the forces that will bring it to boom proportions.

With the firming of these price structures, they will be immensely valuable, and one does not need to apologize nor listen to the shallow argument that we shall enjoy some advantage from the suffering of Europe. In the case of Western country of ours, there were vast quantities of fruit processed, in storage, and the growers and the producers and the brokers alike were facing heavy losses, which losses they have taken again and again through the past four or five years. So during in the present seems taking place not only in the countries that are affected by the crisis but within our own country, has strengthened the prices as little as one cent a pound in dried fruit and has changed the picture from anticipated losses to anticipated return.

There is evidence that the forces of supply and demand are at work and that somehow they transcend all of the desires and all of the ambitions of those who would dictate our economic life. This is not to say that the dictator does not have power over prices nor is it to say that an arbitrary Government can do it, but it is to say that the great, sweeping forces of supply and demand are a reflection of what men want and a reflection of what men feel and think when they are faced with shortages of what they want. And so those forces are at work.

It seems to me that we ought to be very humble in their presence because they are an evidence of the thing that we wish to preserve, namely, that situation which is euphemistically called a free enterprise system. That free enterprise system is a part of the American way of life. It is not the selfish product of a group of men who have been classified or, shall I say, degraded by all of the language of labels today, nor for groups of men ever met together at any moment in history and invented a thing called capitalism. It did not happen that way.

At some time in the history of the world, primitive man saved a little saving; he saved a little more, and it was a handful of grain, in a rough brick kiln, that was lined with lime to keep out the rats, he had potential capital. The interesting thing about the operation was two manifestations of constructive human activity—first of all, he saw that this wealth could be transmitted to another; and, secondly, he exerected the sacrifice to save it. Out of those two things there arose a pattern of human behavior which has been badly named and which is badly called capitalism. It was that pattern of human behavior that gave us the vast sours of wealth that made possible the standard of living which we now enjoy. Nobody invented it and nobody forced it upon an unwilling society.

In the operation of that pattern of human behavior there came out this means of measuring value, which is to say, what are these to me? What are the things that are available to me on the market? There is something to men in terms of their desirability and their scarcity, and you interpret that worth by a device called price. I know there are racketeers, and I know that they operate in every stage of human history, but I believe that the forces that are at work today are the natural forces of human behavior and as such we may recognize them and respect them as long as we do not abuse them, and this free enterprise system has significance for us for many reasons.

If I should move the opportunity to ask the American people to think about the question in this hour, when we have declared ourselves against participation, but when we have taken sides with France and England, I should like to put this question: What is the outstanding and deepest issue which America faces today?

I believe it to be this: How far can they surrender their economic activities to a centralized Government without losing their political liberties? Let that question be answered not by canty and not by hysteria and not by emotional appeals, but it must be answered by the review of every free institution which we enjoy, and it is not a question of control or no control, but at all times we have submitted to reasonable regulation. It is a question of the degree of control, and at the heart of a free enterprise system stands the free man. They are worth something to men in terms of their desirability and their scarcity, and you interpret that worth by a device called price. It is a means of measuring value, which is to say, what are these to me? What are the things that are available to me on the market? There is something to men in terms of their desirability and their scarcity, and you interpret that worth by a device called price. I know there are racketeers, and I know that they operate in every stage of human history, but I believe that the forces that are at work today are the natural forces of human behavior and as such we may recognize them and respect them as long as we do not abuse them, and this free enterprise system has significance for us for many reasons.

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done and what cannot be done with safety, and in the other case you bring to bear the wills of men that are concerned only with the popular approval of their constituents. Now somewhere in this moment, when we have time and while the period of conflict that shifted the flavor of criticism, we must review the state of freedom in America, and this is not to say that we will not recognize social improvement when it was due, and that we will not accept the controls and the regulations which are legitimately put upon the selfishness of men, but it is to give in simple definition the meaning of a free banking system and of a free enterprise system—and this is no recapitulation of classroom economy.

We have to review for you the extent to which Government control has now taken charge of our financial institutions and functions, but I do say this, that whenever any Government, whether it calls itself a democracy or not, embarks upon a policy of distributing wealth or redistributing wealth which has not yet been created, through issuing promises to pay or through the distribution of bounties, that Government has opened the door for disaster. And if there were on the ballots of 18 States last November the proposals to distribute wealth by increasing the velocity of money, the prizing money as a sullen nature, the proposal of a curious, it was because there had been years of the organization of discontent and the deliberate propagation of the illusion that you could get something for nothing. In my State we will shortly vote on a project. It has a dramatic sound to it: it appeals to the imagination but makes no mistake, if that measure passes in California it will become an issue in the Presidential campaign of 1940; and if one million people vote for it in California it will be only a reflection of the millions throughout this Nation who have been brought to the illusion that somehow the Government can take care of them, that somehow there is bounty to be distributed from a source which is never named, and they have been deliberately kept from the knowledge of the fact that wealth is produced by those who work and it is conserved and multiplied, and that group alone is able to give any assurance of security.

Your afternoon program is on, and it is nearly 20 minutes after 12, and I am thumbing over these pages for jussi one or two paragraphs which I am eagerly anxious to bring to your attention. Let me repeat that at the heart of a free enterprise system there must be a free banking system, because no political agency can be trusted with the function of lending money. When any political power goes so far that it can fix the value of money and extend its credit, and when it can operate in the field of foreign exchange and influence the prices which many individuals may itself engage in lending to private individuals and to public and private corporations, then it has the destiny of all industry in its hands.

There is a great meaning for a free banking system. The free banking system should serve those who operate a free enterprise system, who are willing to work and venture and save, and in the operation of that system is the liberation of their own personal powers of choosing and of selecting and of standing by their judgments whether they are bad or good. That is a great activity is the heart of the thing that we call political freedom. I listened to your President's closing remarks this morning with a deep sense of appreciation. There came to me while he was speaking a little phrase from the English prayer book on which I had the good fortune to be brought up, and since he appealed to us for a reassertion of our faith, I venture to bring it to you without any excess of emotion. In a very beautiful prayer which was repeated for centuries by men who lived in stress and strain, it was written: "Whose Service is Honest, and a Perfect Offering, which God Approves, and the Sure and Noble Endurance, Of which the World Sees Not, God Sees Made the Foundation of this Nation rejoices in being Christian as opposed to the paganism of the totalitarianism of the modern world is because Christianity respected the individual and recognized in him a free, choosing agent, with the right to be what he wants to be, to stand free from the consequences of his own judgment.

And so, my friends, we stand, as your President said, in a period of great emergency. Let us not be carried away by the forces which would influence our price structures temporally and to no permanent good. Let us rely upon history and look carefully upon the conditions and compare them line by line, for every bit of data is available as to what happened in 1914 and as to what is happening now, and if and when you and I are called upon to realize that is a period of great, underlying, and deeply rooted emergency, let us not take advantage of liberty, then let us put every safeguard against the free institutions of this country which are economic and political and the two go hand in hand and cannot be separated, and in that movement you will do well in the long run, and your prerogatives as the representative of a free financial system at the heart of a free economic system.

The Future of the Country Bank

By Kenneth L. Pearce, Executive Vice-President

The Union National Bank, Marquette, Mich.

An analysis of the banking structure shows that of all the 15,000 commercial banks 91% are located in towns of under 200,000 population and thus qualify for membership in the Federal Reserve System because of the amount of money that they hold on deposit.

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The Country Bank—Home-Owned, Home-Rated and Independent

The Country Bank, which we have been talking about, is an independent bank. We use that definition because, especially in this new era when we hear so much of branch banks, chain banks, and a concentration of the real financial functions, it must be remembered that there is a system of chartered banks under which authority is granted by the State or Nation to groups of individuals to render a banking service to the public. In the old-fashioned days, when the State or the Nation has a system of chartered banks, there is a great advantage in a distinct chartered banking system which is one of the most democratic institutions in the country, and which protects the people from the abuse of imperfect methods and the number of people it serves. The democracy of our country is maintained also by the chartered and independent banks which we have in this country, as contrasted with the very few banks in the older countries of the world, constitute our greatest guaranty against concentration of power.

The country banker should be much concerned in the perpetuation of the independent bank. When the想着 at the Federal Reserve in Washington, there is a growing propaganda for the further centralization of finance. The Federal Reserve System as a whole and in its form of branch banking on any large scale. Nevertheless the independent bankers should not lose the measures with which they fight for the maintenance of their system and the preservation of which of them are the instruments.

The combined efforts of our 14,000 country bankers scattered throughout the States, using every facility available, to combat this new trend. They should clearly and courageously express their views on this important matter.

The branch banking issue is not far-reaching than the boundaries of a single State. They are individuals who have been the backbone of the financial system of their country and the leaders of which they serve.

In these days when we are in the spirit of the “World of Tomorrow,” which yearns for every improvement, and one must needs be courageous and optimistic to predict a successful future for the country banks. We are convinced that the frontier which are on the horizon in this changing world would require the country bank with its far-flung network of independent branch banks to the same extent as in the “good old days.” Yes, indeed, there is a future, but it demands our constant and alert attention, for the banks of America are undergoing a fundamental change. We may expect combinations of these institutions, small and large, which fall to keep abreast of the changing times in meeting the community needs. We will get back to normal again if we maintain faith in a worthwhile future for the country bank.

In short, we are in this new era when we must direct our activities to improve and preserve the country bank.

The Country Bank—Streamlined

First, we should streamline the operations of the bank that shall perform the functions we now perform. We must bear in mind that the banking business is so complicated and that in order to keep abreast of the changing times the gas stations sell gasoline and service "to boot." Just recall the marvelous strides in the modernization of these stations. The country bank need not be left behind. We have already seen some of the ideas.

E. V. Beiser in a business slump got a temporary job as a gas station attendant, and a customer, drawing up to the pump, requested 19 gallons of gas. Said the banker, "How far are you traveling?" The customer replied, "I think I can give you a bit of detail, westerner. "Don't you think you could go along with free?" We can well reflect on the modernization of some of our country banks these days.

Second, consider the methods of the chain stores in every community and witness first-hand what becomes of the country merchant who does not "streamline." But witness especially the alert progressive independent banker who "knows the scene" and who knows the difficulties in the present day modern world.

The history of American business is written in the development of American banking. Had our banking system not marched forward in cadence with commercial and industrial development, had it not been less responsive to the needs of a new country, America would be far different today. People who have seen the changing times that have marred the fringes, the interior system of manufacture and commerce, note with apprehension that the same conditions exist in banking. We have been warned that the system of banking has not kept pace and that the demand which progress has placed upon it.

This is a future for the country bank which has such a tradition and such a record of achievement.
HANOVER'S CONVENTION

worlds fields. Scientific research in banking is just as necessary as in any other line of business or industry. It has saved the day for many of our large concerns and can do much for the small. There is an imperative need for research as we face the opportunities and responsibilities of these changing times. Its development should not be confined to the activities of the American Bankers Association. We are not only fully conversant with the need and made remarkable strides in this direction, but should be pushing forward even more rapidly. We ought to hold bankers can do much to foster, promote and encourage research activities in these organizations.

The first a country banker in the Nation who should not be giving in for research in his own town, or in his own state, and in his own institutions in the nearest century. There has been a remarkable change in business environment. During the last quarter century there have shown a revolutionary change in the factors influencing the profits of country banks. Banks themselves have undertaken a bewildering variety of new operations and instead of operating primarily in the field of working capital, banks have become the largest savings institutions in the country, an important factor in the market for investments, and real estate mortgage loans. The leading banking agent for corporations and individuals, and directly or indirectly an important source of funds for them. The growth of these banks has been partly reflected in the growth of the country banking system. We have a remarkable change in the banking system that the future is apparent that the commercial banking system must be modified in accordance with changes in business. This is the fundamental reason why the stimulation of savings and the careful study is it possible to discover the precise nature of the change that is taking place.

It follows, therefore, that research directed toward an improvement in methods and efficiency. The difficulties in increasing the efficiency and increasing the profits of commercial banks, either by increasing costs of operations or by reducing the income derived from sources of income. It is essential that these costs be increased to a satisfactory level in the future in an apparent that the commercial banking system must be modified in accordance with changes in business. This is the fundamental reason why the stimulation of savings and the careful study is it possible to discover the precise nature of the change that is taking place.

Improve Our Banking Knowledge

Fourth, to improve and preserve the country bank we should improve our banking knowledge. This logically should be developed in three different directions:

Education, in cooperation, with constant desire to raise the professional standards,

Vigorous efforts, using every possible method to improve the efficiency and profitability of banks,

The education of our customers and the improvement of our public relations.

If country banks are to have a worthwhile future many of the men who will be acting today. Naturally it will deal with earnings and operating expenses; with the income received from different types of businesses, and the investments, and with the income from different types of debts. We must increase our business and the general public may be better served through improvement in our methods. We must increase the types of savings and loans and other needed services. Commercial banks are adapted to meet changing needs new competitive institutions will arise to serve the public as they have done in the past. A worthy factor for country banks, therefore, is encouragement of research.

The American Way

By Dr. Bruce B. Baxter, President Williamette University, Salem, Ore.

It would be a sad mistake for one who comes from a college campus to attempt to speak to bankers as if the speaker understood banking and were expert in it. I shall bear definitely in mind the facts that I am a lawyer, not a banker, and the fact that the American Bankers Association has just held one of its annual meetings. I have the privilege of speaking to the man that I would speak to.

Now I say, frankly, that there are three forms of government now competing for supremacy. This is probably the easiest fact that emerges from a close study of the problems that we now face. The American people are notWall and communism, fascism and democracy. Naturally, our vote is cast for the democratic free competitive system. In the past, we have been for and against smoke, or anywhere else, only when there is a sufficient number of good and intelligent men to participate in it and direct its activities. We in America are fortunate in having the best government in the world which is a point of view. One writer speaks of "the curse of the township mild which simply is the curse of being mild and society.

The American Way is our way of life the principles of our country as a whole. It provides a way of life for every man and for every woman. It is the way of life that makes our country great. It is the way of life that makes our country successful. It is the way of life that makes our country strong. It is the way of life that makes our country rich. It is the way of life that makes our country free. It is the way of life that makes our country prosperous and growing.

We must speak in defense of the American system of private enterprise because its principles are the very essence of an issue that endures every business man today; because it is a system that, under the Constitution, has made America, and because it has made free enterprise a system which has been invaluable to us. This country has prospered and grown great.

We need not worry about the future of country banking if we can restore and preserve individual initiative and private enterprise, actuated by the ideal of a worthwhile service and the hope of a reasonable profit for meeting an unqualified public need. This constitutes the backbone of America's economic strength. Anything that weakens this system means every institution whose financial welfare is in any way dependent upon them. Let us resolve therefore to lend it in the fight to uphold and justify the American system of private enterprise—a system superior to any other yet devised, for giving the greatest number of people the most in material welfare and in liberty of action. The American way is our way of life—our insurance of—freedom, Justice, and Opportunity! Therefore,

Let us Defend it;
Let us Act for it;
Let us Preserve it.
limits of one's own community. On Sept. 27, 1938, a Paris newspaper sent a reporter on the street to interview 50 men chosen at random. The reporter took notes and then submitted his reports. Number 17, a workman, replied, "I don't know anything about it all. I live in the suburbs." This was wholly a habitual reply, to the reporter, "I barely understand the world affairs, one is not in the suburbs." Any man who mérite characterization as a world citizen would understand that the act of devoting one's time and energy to the perfection of the social antipaths that enter into it. His knowledge at this present moment would be much narrower. But the writer of this essay, "Marie Linder died a horrible death. He was excommunicated by the Holy Church and burned as a witch. The understanding of churches was very limited, but is no more limited than that of some who talk in gibberish of the European war, with meager understanding.

One who has the international point of view will comprehend that every normal individual passes through three distinct stages:

First, the period of dependence, which among human infants means a rather long time.

Second, the period of independence, which comes with adolescent years and the desire to write, think, do, and feel as one pleases.

Third, the period of interdependence, which realization grows out of the stage of childhood.

Truly, we are numbers one out of another.

In the second place, the man who is going to do his share toward making democracy, that is, the American Way, must be an intelligent American citizen. Interested far more in that which he owns the nation than in that which the nation owns him. Whenever a considerable percentage of citizens give more attention to that which the government owes them in rather than that which they owe the government, we are headed for trouble.

There is a far greater demand for intelligent citizens today than was true in former and since the period of interdependence.

In 1800 it had 142, and in 1890, 36. Certainly the requirement for understanding of one's government in Detroit, or any other American city, is far greater than it was a century ago.

This intelligent American citizen will understand that he is a citizen not only of his city and State, but of the entire nation, and he will vote and act accordingly. His is the idea of democracy, as expressed by George Washington, when he said, "I, George Washington, a citizen of Virginia, but I, George Washington, a citizen of the United States of America." Father of our country and the first President of the United States, he exemplifies the American Way.

The present American citizen will be scrupulously honest in all of his dealings with his government, for national integrity cannot rise any higher than the individual citizen.

There are some who say that public service is not in their line, but if so, they are misleading those who are lost in the tenement house. If they participated in the condition of the plane, he did not use his parachute and bailed out and thus save himself. If they were gone in a plane and such an accident occurred, he would, of course, do this, but the record of commercial aviation does not show a single instance where a pilot has ever bailed out and left his passengers in the plane. No man who takes his responsibilities seriously ever "bails out." In the third place, this individual who makes his contribution toward the American Way will be an intelligent citizen of his community. I am impressed by the number of young men who, contrary to custom, prepare for a banking career, say that the choice is made because of the position of some business man whom they have known in their local community. Twenty all men in this profession do not realize how young people do look up to them. This banker who is an intelligent citizen is not only a well in his community, but also in the entire world.

The American Way is a way of tolerance. Tolerance and indifference are not synonyms. Tolerance is the principle of active good will toward all races and all nationalities. It is a desire that all persons should share in the good things of life.

The ideal American citizen who, from a place of leadership such as is assumed by the banking profession, makes his contribution to the American Way, must be an intelligent American citizen. A New Zealand woman, writing of native birds which had been noted for the length and height of their flight, tells how they had been for so long close to the food supply and had not died previously they would have starved to death. The writer observed that the birds were warned, but they could not fly away. The birds, he says, "are afraid of the bird-cage." Why? We ascribe the increase of our contribution to men who in these difficult years have "lost the hate"

Many are there who, discouraged over personal losses and unsettled world politics, have felt that the American Way is nothing but a bill to a newly-married widow, reading, "Due, $50 for cutting your husband up until the time of his death." Some feel that this is not only a mandate of the present state of world affairs.

Ian McFarren takes a character in one of his novels, "Be kind—every person that you meet is fighting a hard battle." Well, if Ian McFarren could have said that a generation ago, how much more true it is today. I was called upon in the midst of the depression to speak at the memorial service for the late Charles A. Loon, an old physician who had saved many lives, not one dollar of which had been misappropriated—his financial record was clear. I am sure that many of you can recall how the situation was presented to this greatest of physicians, who said that she was not trying to excuse him for the enormity of his act. However, if only people could know that for weeks he had been working day and night to keep a bank which needed money and who could not secure loans under the then stringent regulations— that perhaps this act was a desperate effort to save the institution from ruin. It was not too harsh in their judgment. "Be kind—every person that you meet is fighting a hard battle."

I take great comfort in the quotation by Robert Louis Stevenson just before his own untimely passing, in a remote South Sea Island, a victim of a dread disease which had made him an invalid for years, when he said, "I am bigger than anything that can happen to me."

I do not see how a community leader today can be of very much help to people who have lost their city until he has an adequate philosophy of life and a standard of values for himself. He will then understand that the making of a fortune does not necessarily in itself bring contentment and realize that other acquisitions must go with it. You other men will remember the good reader's story of the Crustal King, who in the midst of great dependency, called in his physician to ask how happiness might be restored to him. The physician told him he might get it back again if he would wear the shirt of the most contented man in his kingdom. The problem was then that he had found that most contented man and when they found him, he had no shirt. Then the other day you went to see the play "You Can't Take It With You" and you discovered that the wealthy man in the play learned from the old man in the tent, that the achieving of a fortune in itself does not necessarily bring happiness. This is nothing at all the repetition of the old story of St. Paul and the apostles. History has a word at this point. How many of you can give the name of the richest man in the world? I believe that you could name the richest man in Rome when Justinian was preparing his legal code, or the richest man in the world when Louis Pasteur was working in the laboratory, or the richest man in the United States when Abraham Lincoln delivered his second inaugural address? History's judgment is sound, for unless there is something above life, and the sense of the value of life is the testing stone, success is not attained.

That leads me to the proper relation to his fellow man is one who maintains his faith in others. As one writer says, faith is not a synonym for credulity. Faith is not believing something which you know is not true. Faith is right because it is a part of the system—faith in the integrity of men and in their desire to meet their obligations—we make a plea for the maintenance of faith in these times.

I would now offer two suggestions as to methods whereby one may be helped to attain that point of view and standard of values of which come the cause of all good. First, the study of our historical development, in the development of one's cultural appreciation. The happiest person is the person who thinks the most interesting thoughts therefore the necessity the person who is taking the active, busy days of building up reserve within oneself upon which he can draw in time of need. To do so in the midst of the men who will the most interesting thoughts makes the happiest individual. In this same connection, it is significant that former Senator Robert Taft of Ohio, Senator Loomis defines the truly free man as the man who dures to go to the end of his thoughts. This means that all of his thoughts are such that they could end in acts, which would make a difference in the world today. It is not significant that the word unammonium originally meant "away from the musing"—away from music, art and poetry. How many successful business men there are who have found in music an avocation, a release, that nothing else could give. Wildeadndemolitionsspeakersofthischarges that they all die with their music in them. These are men who never gave any thought to the cultural side of life. Does any one suppose that Charles G. Dawes was not a musician? or that Albert Einstein was not a musician? or that Hendrick Van Loon is not a capable artist, or John H. Rockefeller Jr. is not a lover of classical music? I believe that Walter Hampden was too poor to bear Shakespeare's characters because he had a fever. Dean Corwell was a poorer painter because he played the cornet, or Charles Schwab was a financial leader because he learned his astronomy from his school teacher, or William Woolard a less efficient Secretary of the Treasury because he composed some good music? These are men who gain a measure of happiness because they bring into their lives some of the world's finest points of view and thoughts.

My final suggestion is that every normal man must have a fixed point outside of himself and that that fixed point I take to be his religion, his relations to his God, expressed through all his other relationships. For a few months several British scientists, members of the Royal Academy of Science, were up in the clouds on loan from Oxford University and just after a Saturday evening Oxford student body, "The youth of this present generation who are non-religious are non-scientific." These scientists spoke truly, for back of every fact is a cause, and back of every cause is purpose, and back of all purpose is a God.

Some time ago I saw a letter that a small child had written to a friend of her father. It was the first letter that she had ever written to anyone outside of his schoolmates. I was curious about what she was occupied with when she last wrote me, "Read, and now I hope that you will live all of your life." The little girl spoke truly, for it is only those who have written the profound wish—to live all of one's life, to fulfill one's responsibilities worthily. It is entirely possible for a man to die never having accomplished anything, though he was known men who have left behind them a life of work and living lived. Merely to have lived a life in good is not enough, but to have lived a good life, to have made the most of the years, is to have lived a life that is good to all of our life, being faithful to all of his responsibilities and obligations—that makes the difference. It held the key of the future welfare of our nation, which involves the happiness or misery of so many of its citizens, may worthy make their contribution to the American Way, the way of democracy.
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BANKERS’ CONVENTION

Immediate Task Constant Strengthening of Banks for Greater Service to National Needs

By the President of the A. B. A., PHILIP A. BENSON,
President of The Dime Savings Bank of Brooklyn, N. Y.

It is my great privilege this morning to formally open this 65th annual convention of the American Bankers Association, and I welcome you to it. While I am grateful to each of you for coming, the meetings are yours and it is your Association. The right to participate in your own affairs can only serve you effectively if you have your counsel and guidance. We have these to the extent that you actively participate in Association matters. We, therefore, shall do our best, and I hope you will do your best in our work, and this is indeed heartening.

We have now, in your President, as it were, the highest honor within your power to give. In return I can say to you straight from my heart that it was the highest honor I could imagine being given. It has been an exceedingly interesting and gratifying year. It has offered opportunity to meet with various interesting and attractive problems, and for the making of friendships that will be forever treasured.

Intimate contact with the affairs of the Association during the year has made it possible for me to return to the rank and file to tell you of the unique service it render, not only to the business of banking but to the community generally, and I hope that you will heartily join with me in saying that it is an honor to be a member of this association.

One and all you have my gratitude and my administration. I cannot take time to name them, but I will always remember and value each one of you as a personal friend. Of course, I have been under the influence of an inspiring leader. Indeed who among all of us has not felt the influence of the power and leadership of this body? If I have been able to do as an educator and as an executive we are beholden to you.

Next year we seek to continue the work of the office. The offices are made by the office, but they are not made by the office. The office members find their organization as strong and effective as when that term began—and possibly a little better for his having served. You are, of course, the Rocks upon which the ship of commerce will be built. You will find this ship is now firmly made.

In any case, I believe we have made progress this year. We have done so in a particular instance. That is in membership. At the end of our previous fiscal year, the membership of the A. B. A. was 15,000, a figure which we have passed this year. We now have 20,000 members, and we hope there never will be. The Association exists to serve the smallest and largest bank institutions. The growth of the Association has been due to the fact that we have reached the goal of our objective. We have, in my judgment, been able to make progress towards the development of a true and proper and effective bank and a disposition toward common action with respect to common banking problems.

Our Association is a proof that banks of all types, State and National, commercial and savings, have lived and that the American people believe in the banks and the public service they are so no longer local matters. Whether for better or for worse, the issues and problems the banker and the bank face today are of national character and they can be dealt with only through common action on a national scale. Many of our national regulation legislation, expansion and opinion and unity of program, and it is gratifying to witness recognition of this as evidenced by this figure.

Before I take over my year of official service it would be regrettable for me to all the members in person. But I shall hereafter to you on your beautiful and rich years, the year 1922, we have passed and the year 1923 with its promises and its responsibilities. We look forward to a period of peace, of prosperity, of increase in every way.

We have a million members, the one millionth of us, and we hope there never will be. The Association exists to serve the smallest and largest bank institutions. The growth of the Association has been due to the fact that we have reached the goal of our objective. We have, in my judgment, been able to make progress towards the development of a true and proper and effective bank and a disposition toward common action with respect to common banking problems.

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Inability of Senator Harrison to Accept Invitation to Address Convention

President Benson announced the following communication from the Senior Senator from Mississippi who had been scheduled to address the Convention:

COMMITTEE AND OFFICERS' REPORTS—GENERAL SESSION

An Investor could have bought a Liberty Bond at 82 in May of 1920.

The report of Economic Policy by the Chairman, Leonard P. Ayres, Vice-President of Cleveland Trust Co., Cleveland,

The evidence of the relative effects of the European war on our economy appears to be so clearly indicated that we may well regard them as being of major importance. In the judgment of the committee this is the greater importance, although they probably will develop more slowly than we now anticipate. The effects will be more noticeable in countries where the commodity and price influences are more important than in the United States. During the early stages of the conflict American industries which produce goods or commodities which are used in Europe experience increased business and financial firms. But as is not yet possible to know what extent these effects will be affected. During the period of our war with neutral nations will be expanded. These effects will begin to appear, however, and the commercial and industrial interests of the United States will have already been eliminated by the war, and that even those combines which continuous to participate in the expansion of Europe will be unable to maintain their position.

The volume of commercial bank loans has been slowly expanding in this country during the war, and with the completion of the war crises there has come a much more rapid increase. This expansion of commercial loans may be expected to continue for some time to come. The banks have over the five billions of excess reserves and they are amply able to take care of any demands for increased credit which may develop.

It is equally apparent that the economic results of the outbreak of war will prove to be a definite downturn in the long-term trend of high-grade bond prices. This appears to have already happened and if that prove to be true, the development will be a highly important element in determining the value of bank and commerce for the National Government.

During our national monetary history the prices of high-grade bonds have characteristically shown two sets of movements. One of them has been made up of the relatively short wave-like fluctuations of expansion and contraction in commercial business cycles. The other movements have been of much longer duration, and typically have continued through several business cycles.

Long-Term Trends

Bond prices reached their all-time low levels in the country in 1942, in the period of our third which is often referred to as the Debt Repudiation Depression. Our only index of the prices of high-grade bonds which covers this period shows that in December of that year the yield on bond of 5% would be at about 32. From that level bond prices advanced for nearly 20 years to their peak during the last year of the war. The long average advanced about $2.93 per 100 on each 100 dollars of principal amount.

The next move was an abrupt decline lasting five and one-half years during which bond prices fell at an average rate of more than $7 per 100 on each 100 dollars of principal. At the bottom of this decline bond prices reached an all-time low level of 55 in August 1938. The price actually exceeded its decline from business cycle to business cycle during more than 20 years to the present level, which is about $7.00 per 100 on each 100 dollars of principal. This was an average annual increase of almost $3.10 in each 100 dollars of principal during the period 1929 to 1938. The yield on bond of 5% was at about 1.6% in 1938 and then fell to 5% in 1939.

The long average yield on bond of 5% since 1919 is about $2.42 on each 100 dollars of principal amount. This brings the record up to July 1943 when the index stood at 172. There are two features of these swings of bond prices which are of special significance. One of them is that they have characteristically been of quite a long duration. In this connection 30 years of bond prices and investors have un-}

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Report of Committee on Resolutions, by Chairman
Robert V. Fleming—Banking and Credit Facilities,
Washington, D.C.

Once more American business and American banking must revise their policies and redline their plans because a great war has broken out in Europe. No one is wise enough to know as yet what the nature of the conflict will be, or how long it may last, and no one can foresee its outcome. There is only one certainty about its results for us, and that is that they will be detrimental, for war are vast tragic calamities which impoverish not merely the participants, but all other nations as well.

Business activity has been increasing in this country since last spring, and many of the conditions that marked the advanced stage of our prosperity during the months of the year. Most harvests have been good in volume, but carry- overs are large and prevailing agricultural prices are still relatively low. Bankers and farmers find that the prices of food and raw materials are greater than ever before. Our banking institutions are prepared to meet adequately and to maintain the sound, efficient financial structure necessary as they may develop.

Money has the sudden expansion of business activity that has taken place during the present months has come because of the anticipation of war prices that are as a result of orders for materials actually materialised. There is as yet little evidence that a war boom is in the making, but if symptoms should indicate that one threatens to develop it will be prudent for us to take action to guard against such an occurrence and not regret. The policies of American banking should be resolutely directed toward maintaining and encouraging the proper war spirit in trade, indus¬try, agriculture, or the security markets.

The war of the Association and its members are fully cognizant of the dislocations which can occur in our national economy because of war conditions and are prepared to meet the requirements that will be imposed upon the shoulders of every banker as the custodian of the funds of the people of our country.

We urge ourselves to spare no effort or means in our power in meeting conditions as they may change from time to time, to the end that our Nation may be able to maintain a sound and stable economy.

The American System

We reaffirm the action of previous conventions wherein the position of the Association was stated with regard to the dual system of banking: branch banking and the autonomy of the laws of the separate States with respect to banking, and the accompanying principle that the success and strength of democracy in America is largely due to the sound and efficient financial structure which prevails in our composite government.

We reaffirm our own banking supervision this same principle of checks and balances, which now exists, should be maintained.

Bank Examinations

Various proposals are under consideration at Washington looking toward modifications and improvements of bank examinations. The factors involved are too numerous and too complicated for discussion in these resolutions. We are, however, of the opinion that our banking system is now in a sound and efficient condition, and these facilities more fully, more flexibly, and at less cost to the customer than ever before. Recent hearings before the Senate Committee on Banking and Currency produced evidence that the maintaining and improving of our banking system is now a part of the Federal system, and all businesses would be insured or guaranteed by Federal funds are fundamentally un¬sound. They involve methods that are repugnant to the principle of forming new systems of easy credit with resulting high percentages of loans which endanger the security of the Government. Under such programs the making of loans to marginal business men already close to insolvency should tend to maintain temporarily large numbers of inefficient banks and reduce effective competition with those that are well managed.

These plans have been under discussion of late for the creation of a system of capital credit banks. Most of these plans provide for the capital of the Agricultural Adjustment Administration, At present our present credit needs, other than the ones relating to our governmental financial administration, are for making loans. Powers already granted existing governmental agencies to participate with banks in the extension of certain types of loans seem, in our judgment, to be adequately. Our present pressing credit need is for far better prospers for business returns so that investors may be encouraged to venture larger capital by reducing credit already available and now being inappropriately employed.

We commend the Association's efforts that the continuing activity of making their credit facilities available to all worthy borrowers. We also urge again that they continue to cooperate with applicants, where necessary, to put proposals, as presented, in bankable form, and to see that no sound and creditable need is denied. We refer to the proposals that the effective performance of the Federal credit system be the primary objective of our public fiscal policy to the end that sound national credit may be maintained; that the banks of the United States be authorized to express to our fellow bankers, and to institutional and private investors, our continual conviction that the bonds of our Federal Government are the safest, and that their investments are not disposed of at prices less than the market value. We urge further that the reserves in their market prices, for these securities embody more fully than any other the qualifications of and its objectives.

The Tread of Turmoil

The Congress and the Treasury now are studying our Federal tax laws as they may be revised in order to make them more equitable and their admin¬istration more efficient and certain. We commend the legislation and its objectives.

Federal taxes should not be passed hurrily, without thorough study of their economic effect upon all classes of taxpayers and upon the Govern¬ment itself. Any proposed tax legislation should be given the full weight of our revenue and should avoid imposing controls or restrictions on business, or uncertainly in their effect on business.

Preferably, the basic structure of Federal tax laws should be fixed and should remain substantially undisturbed for a long period of time, the requirements being met by change of rates within this structure. Then taxpayers would be enabled to make future commitments with reasonable certainty.

Once the Federal tax structure is fixed, States and their subdivisions can adjust their laws so as to avoid the present mass of overlapping taxes which both the Federal and State governments have created.

As one of the immediate tasks of the American people to the seriousness of public expenditures, both public and local, and again remind ourselves of the responsibility that we can contribute to the maintenance of individual freedom in this Nation brings to every resident of the United States an equal share of the burden to contribute through taxes to the financial support of our Government.

Resolutions of Appreciation

The American Banking Association takes this opportunity of expression of appreciation to our retiring President, Philip J. Hecht, for the splendid service he has rendered to our Association. By his character, integrity and personal conduct he has set a high standard of professional ethics which has enhanced the prestige of our Association and its members.

To F. H. Nelsen, our First Vice-President, and P. D. Fleming, our Second Vice-President, we express our appreciation and admiration for their fine thoughtfulness and loyalty, and for their sagacity and wisdom on behalf of our membership.

To H. B. Reynolds, our Executive Manager, we desire to express our sincere appreciation for the able manner in which he is conducting the affairs of our Association. His unswerving circle of mind and character, his originality and the situations to all Association problems, and practical hand¬shaped with such broad vision, added to the strength of our Association and assured its good fortune to the greatest excellence and well-being of our Association to all times.

Our thanks are due also to the members of the staff of the Association for their loyalty and effective discharge of their duties.

To Miss Eliza J. M. Crager, our stenographer and Treasurer, for so many years has generously given of his time, thought, and energy to the interests of our membership, we extend our heartfelt good wishes.

To the ladies in public life and the other speakers who have appeared before the various meetings of our convention, and given us the benefit of their time and counsel, we desire to express our sincere appreciation for their valuable contributions to the success of our meetings.

We also desire to thank most sincerely the teachers of the local committees, the hosts, the press and the citizens of this beautiful city for their unselfish hospitality during the course of our convention. Personal recollections of our visit here will long remain in our memories.

Resolutions Committee

Robert V. Fleming, Chairman The Rige National Bank, Washington, D.C.
M. A. Arnold, Chairman, Chairman of Board Seattle-First National Bank, Seattle, Wash.
Leonard P. Ayres, Vice-President The Cleveland Trust Co., Cleveland, Ohio (President of Cleveland Trust Co.)
Roland E. Clark, Vice-President National Bank of Commerce, Portland, Maine (Chairman of Board of Portland National Bank)
J. L. Dart, Vice-President Florida National Bank, Jacksonville, Fla. (Vice- President American Institute of Banking Section)
Paul S. Fleming, President The Rige National Bank, Portland, Ore.
William S. Elliott, President Bank of Canton, Canton, Ga. (Vice-President State National Bank)
C. M. Green, President Maine National Bank, Lewiston, Me. (Chairman of Board of Maine National Bank)
A. George Richardson, President Maine Savings Bank, Biddeford, Maine (President Savings Division)
H. E. Green, President The Elkins Bank & Trust Co., Elkins, N. Y. (Chairman Bank Management Commission)
Rudolf S. Hecht, Chairman of Board The Hibernia National Bank, New Orleans, La. (Vice-President Southern Bankers Association)
A. T. Hilliard, Chairman of Board and President Union Bank & Trust Co., Helena, Mont.
Fred J. Kent, Director Bankers Trust Co., New York, N. Y. (Chairman, Committee on Resolutions)
J. C. Klink, President Kings County Savings Bank, Brooklyn, N. Y.
Francis Marion Law, President First National Bank, Houston, Texas.
Remarks by Chairman of Agricultural Commission, F. Lee Major, Incident to Presentation of Plaque to Oregon Bankers for Outstanding Banker-Farmer Program

President Benson: I should like at this time to present to you the Chair¬
man of the Agricultural Committee of the Oregon Bankers Association, F. Lee Major, Vice-President of the Bancfirst National Bank of St. Louis.

During each of these years Oregon bankers have performed an outstanding job in banker-farmer programs. Because of this 10-year achievement, and for special recognition by the American Bankers Association, I have the pleasure, President Benson, of presenting to you, A. K. Parker of the American Bankers Association.

President Parker: This is indeed a notable occasion. I want to say that all of us may congratulate you this last year to have suffered the way you have been doing in the State of Oregon in banker-farmer cooperation. I had one of the most inspiring times in connection with my association with the American Bankers Association in Cleveland last year. At that time Mr. Corvalis, Oregon, Mr. Major and Gentlemen from Oregon, we want to recognize for the contributions of your banks for more than 90% of your banks have participated, and in doing that, we of the American Bankers Association have a great deal of pride in.presenting to you a token of our appreciation.

In doing this we realize that your activities have had a wholesome and stimulating effect. You have been supporting mutual-agreement systems in the country not only in your State, but it has been an example and an inspiration elsewhere. Many of the activities by the 18 other States have followed your example, but having reached, however, as yet a halfway mark, we realize that your activities in Oregon have developed bolder and clearer relations with the officials of your State College of Agriculture, with both State and county representatives of the Agricultural Extension Service. We believe that the bonds of mutual-agreement will be strengthened, and that we are being contacted in a constructive manner, and that makes more and better customer relations, and that is a project in which the American Bankers Association and all of its members are deeply interested. I want to call your attention to this example. We appreciate your record, what you have done. And now, Mr. Parker, as the President of the Oregon Bankers Association, will you accept this token of our appreciation for your splendid work?

[Presentation of Plaque]

A. K. Parker: President Benson, the Oregon Bankers Association ap¬preciates this opportunity the opportunity to present this year's award to President Benson. We have enjoyed our work with the American Bankers Association and the Agricultural Commission of the Association, and at this time wish to extend our appreciation for all of the courtesies you gentlemen have extended to us. I thank you.

 Remarks of Andrew Price, Chairman of Committee of Bankers at Seattle

President Benson: It is our delight and our pleasure to be able to come to a city like Seattle, here in the Pacific Northwest, for its annual convention and annual meeting of the Pacific Northwest Bankers Association. For a few days have enjoyed the hospitality as well as the hospitality of this greatest.

The committee of bankers of the city and all of the committee of these have perfectly splendid work in preparing things for us. The Chairman of that committee, the Banking and Reorganization Committee, has been in active in Association affairs and in banking affairs for many years. Mr. Price will present this California, and Chief Passenger of the Bank and General Chairman of the Convention Committee.

Mr. Price—It was just 82½ years ago that the first speech of welcoming, I will say, was extended to the ground, where the Business Bank of Seattle, 27th, in 1827, when Dr. Maynard, a pioneer from Vermont and a college graduate, and the first of the who were the original at the King's Station now stands. He was urged to do this by Chief Price, for which purpose he served.

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President Benson: I have a ballot bearing the name of Mr. Hanes, and I do now declare him elected President of the American Bankers Association for the coming year.

The Nominating Committee's report included the name of P. D. Houston, Chairman of the Board of the American National Bank of Nashville, Tenn., for First Vice-President of the Association for the coming year. Are there any other nominations for that office?

(Up on motion regularly made and seconded, it was voted that nominations be closed and that the Secretary be instructed to cast the unanimous ballot of the Convention for Mr. Houston for First Vice-President.)

President Benson: I have before me a ballot bearing the name of Mr. Houston, and I therefore declare him elected First Vice-President of the American Bankers Association.

Henry W. Koeneke, of Ponca City, Okla., has been nominated for the office of Second Vice-President of the American Bankers Association. Are there any other nominations?

(Up on motion of M. Lathrop, of California, regularly made and seconded, it was voted that nominations be closed and that the Secretary be instructed to cast the unanimous ballot of the Convention for Mr. Koeneke for Second Vice-President.)

President Benson: I have before me a ballot bearing the name of Mr. Koeneke, and I do declare him elected Second Vice-President of the Association for the coming year.

The newly elected officers have agreed to serve in the offices for which they have been elected for the coming year. The constitution requires that they be installed at the close of the last day's session. While the formal inauguration takes place tonight, in order to comply with the constitution, I hereby declare the newly elected officers installed in their respective offices, and as evidence of this fact I now hand the symbol of authority, the gavel, to your newly elected President, Mr. Hanes, who will adjourn this session.

President Benson: Does anybody have any matter he wishes to bring up?

If not, I declare the meeting adjourned.

(The meeting adjourned at 12 o'clock, Sept. 28, 1939.)
NATIONAL BANK DIVISION
AMERICAN BANKERS ASSOCIATION

INDEX TO NATIONAL BANK DIVISION PROCEEDINGS.

Social Implications of Banking Changes, by Dr. Howard H. Preston, Dean and Professor of Money and Banking, School of Economics and Business, University of Washington, Seattle, Wash.

Some years ago a well-known American periodical published an article entitled "The Hall of Glory is To the Devil." The purpose that the author hoped to achieve was to alarm the public's fear of change. The method was to bring together a series of forceful quotations showing the ineptitude of the past and the ideal perfection of the future. The statements were so
very frightful until one read the date line. Practically all had been within a century or more earlier. In spite of the sitebreadcrumbs of the prophets of the early nineteenth century the world had not gone to the devil. Even a cursory glance at the economic and social fabric of American life would have caused the student of mankind to conclude that economic and social—i.e., that seldom have conditions remained stable for many years. Bankers who today are confronted with trends in banking that seem perplexing may find solace in the fact that American banking has survived many such crises.

The banking historian has always held a great interest for me. In recent years I have been privileged to delve into the history of banking in this Commonwealth. As you are aware, we are a young State, celebrating this year our Golden Jubilee of Statehood. Our earliest banks were founded only seven decades ago, but even in that relatively brief period banking in this State has known many changes. When the decision was made to incorporate a separate territory in 1833, incorporation of banks was barred by the Organic Act creating the territory. For more than three decades the law remained unchanged. Since territorial banks were illegal, our earliest banks were private, i.e., unincorporated institutions. Only a few of the large towns could maintain a National bank whose capital requirements were high and scope of operations too restricted to permit them to serve the needs of pioneer communities. In 1865 we legalized territorial incorporation of banks. In 1897 we created a State Banking Department; in 1909 we prohibited branch banking, and in 1923 again authorized it. By 1913 private banking, which 40 years earlier had been the sole form of banking in Washington Territory, was almost entirely prohibited. The Organic Act was amended and the existing banks were allowed to operate. By 1923 we granted to the super-

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Of the many changes, only a limited number have been selected for analysis. The focus of this paper is to deal with the structural changes in our banking system. Most noteworthy structural changes are the decline in the number of banks and the spread of branch banking. We have already studied the flip of banks that took place at the post-war peak. Mergers, failures, voluntary liquidations, and the spread of branch banking explain this 50% reduction in a little over a decade. True, the decline in the number of banking offices is not as drastic as the reduction in the number of banks. However, huge urban banks have been absorbing the smaller offices in the same way that American banking has survived many such crises.

In 1886, the American Bankers Association adopted the Organic Act of 1866, which provided for the organization of national banks. As with any new institution, there were some initial difficulties, but after a few years, the national banks were well established. The Organic Act of 1866 was later amended, and the national banks were given the authority to make real estate mortgage loans. Since then, the number of national banks has grown significantly. As of 1890, there were 1,500 national banks in operation. In 1920, the number of national banks had reached 4,799. However, the financial crisis of the 1930s led to a significant reduction in the number of national banks. By 1940, the number of national banks had declined to 1,250.

In the current era, the number of national banks continues to decline, but the rate of decline has slowed significantly. As of 2010, there were 1,670 national banks in operation. The trend towards consolidation and regionalization has been a significant factor in this decline. Banks are seeking opportunities to merge with or acquire other banks to gain economies of scale and improve their competitive position. In the current era, the number of national banks is expected to continue to decline, but at a more gradual rate. This trend is likely to continue as banks continue to seek opportunities to consolidate and improve their competitive position.

In 2010, the number of national banks in operation was 1,670. This represents a decrease of 32% from the peak of 1,500 national banks in 1890. The decline in the number of national banks is not a new phenomenon. The number of national banks has been declining since the late 19th century. However, the decline has accelerated in recent years due to the consolidation and regionalization of the banking industry.

The decline in the number of national banks is a result of several factors. First, technological advancements have reduced the need for physical branches. Customers now have the option of conducting transactions through the internet, mobile banking, and other electronic channels. This has reduced the need for physical branches, and banks are increasingly consolidating to reduce costs.

Second, the consolidation of the banking industry has led to a reduction in the number of national banks. Large banks are able to acquire smaller banks and gain economies of scale. This has led to a reduction in the number of national banks, as smaller banks are acquired by larger ones.

Third, the decline in the number of national banks is due to the consolidation of the banking industry. Banks are seeking opportunities to merge with or acquire other banks to gain economies of scale and improve their competitive position. In the current era, the number of national banks is expected to continue to decline, but at a more gradual rate. This trend is likely to continue as banks continue to seek opportunities to consolidate and improve their competitive position.

In conclusion, the decline in the number of national banks is a result of several factors. The consolidation of the banking industry has led to a reduction in the number of national banks. The decline in the number of national banks is not a new phenomenon. The number of national banks has been declining since the late 19th century. However, the decline has accelerated in recent years due to the consolidation and regionalization of the banking industry.

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In an analysis of the Banking Act of 1933, immediately after its passage the writer stated:

"...the Federal Reserve insurance plus works, the next step will be toward the necessary—the insurer-depositor— which necessarily proper."

This has in effect taken place. Increased service charges, compulsory elimination of the minimum reserve requirement, and by 1950 the vast majority of bank accounts are methods by which bank patrons are helping to destroy the excessive administrative overhead of the FDIC. It is abundantly proper. It would be even better if depositors were conscious that they were paying for this protection. Today, a conscious conclusion of payment of insurance premiums tends to make the depositor indifferent to the burden which uninsured banking may impose upon the insurance fund.

It has been suggested that we must peremptorily maintain a Govern¬ment-insurance—owners—features of the insurance program. The Federal Deposit Insurance Corporation—FDIC, as this agency is known—has made the inauguration of the insurance program.

The capital of thousands of banks was so favorably insured in 1933 that the attitude of many bank patrons of preferred stock, but the FDIC has made possible the inauguration of the insurance program.

Without exten¬sive use of preferred stock alternatives would have been found. The same is now necessary to the insured losses to the FDIC; or desired insurance to a number of banks which probably would have been closed and paid little in the way of their own funds.

After six years the IFSC still owns hundreds of millions of preferred stock. The funds were invested in a public financial agency, the insurance for depositors is not the saving the municipal insurance system is in general configuration? I don't know the answer, but I do believe the system will be allowed to collapse as did the State systems. If the Government is forced to absorb heavy losses, the next step may be to take over the banks. But, until now, and in fact I believe the majority of voters, will join in your desire to preserve the private ownership of banks. I am hopeful, therefore, that interest is growing in the FDIC as a permanent public insurance system. It is a public system of deposit insurance.

An important result of deposit insurance having broad social conse¬quences has been a change in the attitude of the US. There are now hundreds of thousands of banks which wanted Congress to cease the opportunity to bring all insured banks under Federal supervision. Senator Glass gave up his opposition to deposit insurance. The result was the formation of the Federal Reserve, the Comptroller, and the FDIC. For the time being at least, the steps taken under the Deposit Insurance Act of 1934 are to be preferred to the refusal to provide insurance membership by unwilling State banks or the complete abolition of State coordinate systems. Congress, with acquiescence of the States, has been forced to enact a law which will protect the public from the risk of money in circulation. Depositors and bank examiners have looked upon a bank account as quite different items. To the banker, deposits are liabilities; to the depositing public, they are "money." Which is right? At least with respect to demand deposits, our verdict must be that the depositor is correct.

The view, long vaguely held and poorly understood, that, to use the work of a prominent monetary economist, banks are "guardians and guar¬antors of money" is now finding expression in the literature of money. A recent book by Mr. Truitt has been called "The Real Supply of Money." He states that bank deposits.

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The "pawn shop" activities have been evidenced by making of modernization loans on electrical equipment and the creation of personal loan departments. Modernization credit gave banks an opportunity to use its reserve balances. The depression situation made it possible for banks to make new lending contracts in a field which they had previously been hesitant about entering. The expansion of personal loans should give banks an opportunity to make use of its reserve balances. Thereafter, the creation of advertising agencies is possible for them to sell a service by supporting the movement of their deposits. The revival of advertising agencies will increase the volume of commercial credit.

The most important example of insured loans are those under the Federal Housing Administration. Title 1 loans were made by all large commercial banks. National banks are the most important single lenders of insured FHA mortgages. Aggregate holdings of Title II mortgages by National and State banks are well in excess of half a billion. Personal loan future is the government participation in the bank field will be gradually terminated. Many existing agencies were created to meet the emergency. It is often mentioned that when the government intervenes temporarily are liquidating slowly if at all. The same is true of insured loans. The period of government guarantee on insured credit is expected to end in 1945. Title II was extended with some modifications, lapsed for a time, resoelluded, and extended by the National Housing Act of 1938. The government guarantee of insured mortgages under Title II was at first limited to those insured before July 1, 1934, and extended thereafter. Viewing the need of the road, the six years does not offer much prospect for the early withdrawal of the Government from the loan field. At all events, it is reasonable to assume that the possibility that the Government may take over all lending operations by outright ownership of the commercial bank. The government ownership of banks is generally considered to be a step which will take place. Business men are generally opposed to Government ownership of banks. The history of Government credit-granting shows the degrees of political influences and stands as a strong deterrent to a complete transfer of control of credit from private institutions to public banks. The sagacity with which banks seek to adopt its credit policies to changing economic conditions will have a significant bearing upon future development.

Inflation is the situation in which deposit deposits contribute to deflation. If deposit insurance results in more confidence on the part of depositors and bankers may be expected to make more loans with a higher rate of interest. The basic argument in favor of the 100% reserve ratio is that it will prevent the substitution of deposits for cash. There is no evidence to the contrary, however, that the existing ratio is not capable of adjusting itself to the changing conditions. The increasing powers of the monetary authorities is a change brought with great possible for making use of the same tools as the Federal Reserve System. Policy is not clearly defined and the boundary line between the field occupied by the two bodies is still undetermined.

President Cook in introducing Comptroller Delano said:

In presenting to you the next speaker, gentlemen, let me tell you that it affords me great pleasure. I am proud that the Comptroller is the man most closely associated with the income tax.

The most important of the protest against the Federal Income Tax is that it is a method of raising revenue for the Government. I believe the most important of the protest against the Federal Income Tax is that it is a method of raising revenue for the Government.

It is rather a tribute to the splendid record of national savings banks. It is, however, the opinion that the self-programmed proposals for aggregation of national savings banks is based upon an accident, not in the nature of these classes of deposits.

The definition and classification of deposits has been a troublesome problem for the supervisory authorities since the passage of the Banking Act of 1933. It is a stumbling block for the advancement of the banking system plan which generally choose to treat savings deposits as investments.

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The National Banking System

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The most important of the protest against the Federal Income Tax is that it is a method of raising revenue for the Government. I believe the most important of the protest against the Federal Income Tax is that it is a method of raising revenue for the Government.

It is rather a tribute to the splendid record of national savings banks. It is, however, the opinion that the self-programmed proposals for aggregation of national savings banks is based upon an accident, not in the nature of these classes of deposits.

The definition and classification of deposits has been a troublesome problem for the supervisory authorities since the passage of the Banking Act of 1933. It is a stumbling block for the advancement of the banking system plan which generally choose to treat savings deposits as investments.

A banking change brought with great possible for making use of the same tools as the Federal Reserve System.

The National Banking System

By PRESTON DELANO, Comptroller of the Currency, Washington, D. C.

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true of all enterprise, and it is certainly true in our chosen field of banking.

It is properly be said that the National Banking System, now 76 years old, has met the requirements of this old Spanish proverb. Since its inception in 1863 it has brought home the wealth of the Indies, but it also has carried the wealth of the Indies with it and has given richly in return. It is definite and to overestimate the contributions made by the

national banks to our civilization while that civilization was developing from a rude frontier, an agricultural community,

to the intricate and involved industrialism which is today both an asset and a plague to us. It requires study and

reflection to understand the vast difference which exists between the Americas of the 1860's and the Americas of 1939.

Students of social and scientific progress insist that the pace and momentum of change within these years is without precedent.

In 1862 the "Washington Standard," a four-page weekly newspaper published at Olympia, served as the official United States paper for this Washington Territory, which then contained about 12,000 inhabitants. On Jan. 4 of that year the subscribers received a new advertisement headed "Olympia Wagon Manufactory," which made the following announcement:

STUART & BLACKSHEAR
Would inform the citizens of Olympia and the surrounding country that they weremanufacturing WAGGONS, CARRIAGE, MACHINERY & LUGGAGE, all descriptions of which for which will be taken in exchange, delivered to the Tuomey mills.

It was at this period, whenobarrier was still an accepted

means of trade in a progressive, growing community, that the National Banking System was born. Let us look for a

moment at what sort of country ours was at that time, and

notice how much has disappeared, changed, grown, and come into being.

Until shortly before the Civil War man traveled only on

horseback or by stage coach. He transmitted messages only by courier or by such crude devices as signal fires. In the realm of invention machinery was unknown and Pasteur had not yet startled the world with his discoveries. In all other
terms of the applied arts and sciences quite as great a discrep-

ancy exists between that era and our own. When we at-

tempt an examination of the social and economic organiza-

tion we are again struck by the wide gulf between these two

periods. You will search in vain for any 70 years of history which even remotely compares in this respect.

When the National Banking System was inaugurated in 1863, there were 34 States in the Union and the population of the United States was some 30,500,000. Of this total, some 27,000,000 lived on farms or in small towns of less than 8,000. The steam railroad was in its very early develop-

ment, there being some 30,000 miles of trackage in the United States providing a service which we regard today as primitive; there was still a curiosity and there were, of course, no electric lights, no motion pictures, no automobiles, no radio, no airplanes. There was also a lack of as many of the conveniences and ingenious devices by which we live that is practically impossible for us to mentally

project ourselves back that far—and it is only 70 years ago.

The economic and financial problems which confronted

the nation were so widely different in character from our own that they again illustrate this great gulf between the two

eras. It was largely because of one of these financial prob-

lems, the Panic of 1863, that the National Banking System came into being, and this particular problem would appear to us today.

Whatever may be our financial and economic troubles, and they are many and serious, we do not have to wrestle with the difficulties created by 7,000 different kinds of bank notes, ranging in value from a few cents on the dollar, and so heavily counterfeited that an expert is required to tell what, if anything, each bill is worth. It was

precisely this condition which was responsible for the creation of the National Banking System. In 1863, when the Senate was discussing this bill, the Federal Government should throw its power into the confused banking and currency field, its

leading financial expert, John Sherman of Ohio, later Secre-
nary of the Treasury, said:

"There were 2,642 banks in the United States established by the laws of 28 different States, all these laws are divers, all are abhorrent to me, as the human countenance. We have every diversity of the bank system in the country that has been devised by the wit of man, and all these banks have the power to issue paper money. With this multiplicity of banks,

depending upon different organizations, it is impossible to have a uniform national currency. Its value is constantly affected by their issues. There is no check or control."

To assist in meeting this situation, an enterprising house

started a weekly publication known as the "Banknote Detective," a subscription attempted to determine a check on

to the validity of various notes and the standing of the issuing banks. Sumner, in his "History of Banking," says:

"The "bank note detective" did not become divested of its useful but constant features until the "National Bank Law System was founded. It was a need of it difficult for the modern student to realize that there were hundreds of banks which issued currency, and which were in the people's community. They were..."paper resolvable as a species by shape, color, size and engraved work.

Any piece of paper which had come with the present of money; the handiwork of the engraver in which only the defined was accomplished.

The person to whom one of them was offered, if unfilled in trade and bank-

Panic, he might be led to believe. He said to the man who offered it, "Have you seen this bill before?" He scrutinized the worn and dirty scrap for two or three minutes, regarding it like a man who has none but dirt, and then said, "This bill was worn, not dirty worn, but did you know that the cause those features were proof of long and successful circulation. He turned it up to the light and nodded through it, because it was the scrap of the bill to file the notes on slender pins which made holes through them. If there were many such holes the note had been in bank and its genuineness was doubtful."

"I ask you, Sir," said John Sherman, in the Senate, "How is it possible to holder the currency of the national banks, for which..."

The newspapers supplemented the bank note detectors with a host of tips on the latest counterfeiters and of counterfeiters" "Washington Standard" in January, 1863, informed its readers that large numbers of new counterfeit bills were in circulation in California and that some had found their way into the Territory. "The five's," it announced, "are being extensively used, and being characterized as...the most dangerous," and the citizens were advised that a slight difference in shade was almost the sole reliance for distinc-

tion. On the other hand, it said, "the counterfeit ten's are easily recognized from their imperfect execution. The fem-

num, which is on the right of the spurious bill, has five
toes on the left foot and four on the right. In the true bill there are four toes on the left foot and three on the right."

The National Currency Act was passed on Feb. 25, 1863. The national banks grew slowly but steadily during the early years of the existence of this system. The circulation of counterfeit

and unstable currency was met. The Federally chartered institutions, with their sound note issues, gradually assumed

a greater importance and wielded a larger influence. In 1874 there was a revision of the National Currency Act, bearing the title, "The National Bank Act." From this time forward, with its first important job well done and be-

hind it, the National Banking System assumes more the character which we recognize and becomes the dominant factor in the field of commercial credit.

From the beginning of the Civil War to the great panic of 1893 there was an ever quickening pace of expansion and commer-

cial development in these United States. There was a great surge forward in the field of science and invention. There were the years of the winning of the West—one of the most romantic periods in the annals of our nation. The public did much to steady it and give it financial sine., By 1890 the national banks had grown in number to 3,500, with deposits of prudentially $2,000,000,000 and with total re-

sources of $3,000,000,000. The population had grown to 63,000,000; the number of States had increased to 45, and that significant shift from agriculture to the communities of great cities was already taking place. Of the 63,000,000 population, over 18,000,000 now lived in the larger cities, and we may begin to feel the impact of the business cycle and of the difficulties of taxation, etc.

The crisis of 1893 first called attention to a defect in our fiscal organization which was later to be emphasized by the so-called "Paper Panic" of 1907. This was the inelasticity of the nation's government. Measures were made in the 1890's to meet the growing demand for a less rigid system of note issues, due probably to the fact that the silver question drew away men's minds from consideration of this question. There was some recognition of the necessity for at least more currency or less demand for hard money, but the efforts of smaller national banks and a larger proportionate circulation.

The taxation on circulation was reduced. The privileges thus granted led to a marked increase in the establishment of banking institutions and in their circulation. From 1899 to 1901, the circulation doubled from 2,555 to 7,492. The circulation nearly trebled between 1900 and 1911, from $234,000,000 to $759,000,000.
This period, which extended from 1890 through the controversy over silver and bi-metalism and into those years of the Twentieth Century just prior to the World War, saw the completion of the industrialization of our country. The progress of science and invention, the growth of population and of wealth, the shift to urban centers, the changes in standards of living brought about by the introduction of the automobile, the radio, the airplane, and, above all, the Industrial Revolution in banks and methods of business, have added a dash over social and economic organization greatly imperiling all those intangible but precious things which make a civilization. This war which started in 1914 and which we thought would end in 1918, is not a war of consuming industries, but a war of consuming ideas—war of thieving in ideas. The events of those 25 years since 1914, culminating in the recent resumption of hostilities between the Major European Powers, are all too fresh in our minds to need review. Their significance is another matter, which, because of the lack of perspective, is very difficult to appraise. What may all this mean to banking, and in a narrower sense, to the national banks of the United States? It would seem that we are witnessing the beginning of a fundamental struggle between economic and social regimentation on one hand, and the forces of an individualistic society and a free economy on the other.

These are questions which are too deep, and is too rapid a flux for us to properly plumb. However, I would like to digress for just one moment at this point to most informally answer a number of questions that I have met, and which members of my staff who are here tell me are being asked in the current political climate. We are not trying to assess the situation. That is the attitude of the Comptroller's office toward the Government bond portfolios of the National banks. I think we should make it clear that there is no contemplation of change in the policy or the regulations which the Comptroller's office has had in operation for some time on this point. But it seems to me the fundamental thing we are witnessing here goes much deeper than mere questions of technique or policy, because we are witnessing what seems to be the start of a great struggle between economic and social regimentation on one hand, and the forces of an individualistic society and a free economy on the other. This is a battle of great moment to all of us.

Whatever role may be reserved for this young republic in the grim drama now undergoing both to the east and to the west, there will be heavy responsibilities placed on all leaders of men. Banks are the nerve centers in the intricate and involved system by which we live, and there will be need for steady hands. America is equipped for the job. Whether we continue to develop in terms of the pressures of life or in terms of gold and banking assets, we have it. The national banks have held and still hold their all important position and influence in this greatest of free societies. Their resources today exceed thirty-three billions of dollars.

Never in your history, gentlemen, have you been collectively so strong to play your part in the great decisions which lie ahead.

Comptroller's Report

Address of President H. E. Cook, President The Second National Bank, Bucyrus, Ohio

Performance in every direction of helpful service to the public power to furnishing to its members continues to be the policy of the National Bank Division of the American Bankers Association. Essential to the success of such a creed is a recognition of the nature of member banks' needs. Therefore, to supplement the general understanding of the codes which banks are always serving, and the needs which arise from major changes which command wide attention, the Division has sought, through its officers and its agents, to interest and inform itself of the peculiars problems of banks in different localities, as well as throughout the entire country. This information is a source which an ordinary mind might not come to its attention, and it feels that this collective consideration of the problems which may be the subject of an emphasis is laid upon this proffered aid to single banks in the solution of their individual problems, and it is limited only by their needs. It is available to all members.

In a category differing not at all in its general purpose, but with a business purpose, is the development of the professional developments which affect all members as a group. This serves a much larger segment of the professional problems—that of the larger commercial problems. It embraces such items as concern earnings and expenses of National banks, legislative developments, regulations under which member banks operate, and suggestions for improvements in practice common to all banks. The advice and assistance of officers and committees and members of the division at large have been drawn upon freely in this work, and the degree of success attained in its performance is traceable in a very considerable measure to the cooperative attitude and prompt response to appeals for expert guidance.

Expenses and Earnings

The latest table prepared by the Division on earnings and expenses of all National banks shows an increase of $26,033,000 in the average earnings of sixty-nine chartered banks for the quarter ending June 30th, 1931, as compared with the same period of the preceding year. The increases in earnings and expenses are shown for the first thirty-three weeks of the current year. These results are traced directly to the effect of increased business. The increase of $26,033,000 has been equalized among the banks and has resulted in a corresponding increase in their dividend to their depositors.

Recent developments abroad—particularly the outbreak of war in Europe—affect the earnings of business in this country and in the rest of the world, and while these developments are so recent that sufficient time has not elapsed to accurately gauge the ultimate effect upon American business, temporarily at least it has the effect of causing the prices of goods and services to change, substantial additional increases have been by most banks to their operating expenses. In the analysis of their earning statements, a point has been put out to us not only a substantial saving in operating costs but new sources of revenue which many banks have found to be advantageous, as well as broadening their services to the clientele.

Bank Loans

As conditions now exist there are ample bank funds available for business there is in any doubt that banks not only are willing, but eager to lend. This Division has investigated this subject to learn something of the degree of determination with which new loans are sought. In some cases lack of continued effort to make loans brought about the result of lack of requests on the part of the borrower to use bank funds to expand. The method by which they are going to market their business is recognized as one in which constant efforts to place additional funds have yielded no results, there is in evidence a lack of that aggressive push which has always characterized the bank's activity. This may be accounted for in some measure by the type of local business which has been engaged in. If expansion of industry or agriculture—does not find that bank credit existing under existing conditions justified by any stabilizable demand.

On the other hand there are many outstanding cases of granting results attained by demonstrating to borrowers the advantages of good banks. Banks have done satisfactory loan plans, and the extraordinarily high percentage of the total loan amount may be within the banks' hard money which are reenforced and conservative. Whole banks can be considered of the superior services offered by banks. A great number of our banks, particularly the larger institutions, have found it advantageous and profitable to install personal loan departments under the management of experienced and capable executives, thereby serving a source of credit demand which is essential in our present system. It meets the requirements of a large number of people, is profitable for banks, relieves borrowers as potential patrons in other departments of our organizations, serves to stabilize and maintain fair and equitable rates of interest, and is of great advantage in modern banking.

Assignment of Proceeds of Government Contracts

The inability of banks to obtain assignments of proceeds of Government contracts constitutes a serious handicap to many banks. The granting of loans which under other circumstances would be highly desirable. Some of the conclusions at the present time is to file instructions with the Government to have the contractors' checks sent to the banks, even in those cases in which it is unnecessary. The possibility of assigning the proceeds of such a contract to also to certain other organizations which have an obvious interest in it. A satisfactory solution to this question has not been found, but there still appears to be more in the proposal and the Division is seeking ways of giving the other opportunities to give them.

Double Security for Deposits

Protest against the requirement that they provide collateral security for certain deposits provided by the Federal Deposit Insurance Corporation, coverage also, is being made by an increasing number of banks, particularly the smaller banks. Their contention that all banks should be freed from this double security, however, is not without merit. The depositors on which the collateral security ordinarily required may be subject to other claims, and the assignments are made by the FDIC insurance. They are postal savings deposits, bankruptcy funds and money belonging to certain classes of persons is held by the Comptroller of the Currency.

These exceptions are statutory.
Federal Legislation

To a group of banks chartered and remaining by the Federal Government, changes in Federal banking laws and enactment of new laws are matters of deep concern, whether they apply to such banks exclusively or as well. Therefore, Division had a direct interest in many bills proposed in Congress during the year just closed.

However, the lack of justification for this double security is so apparent that the Treasury Department found it desirable that under which it would cancel the designation of small banks as Government depositories when required only of the most questionable of the charter banks. The Federal Reserve System, however, served that removal of the last vestiges of the old system in which the Federal Department to know at all times the exact sums on deposit in all banks. As the Department is as liberal as it feels it can be in dealing with such deposits.

Under the Federal Reserve System and enacted into law, was the measure extending until 1944 the time in which their obligations may be equal to their banks. Another bill of vital and continuing importance to National banks extended the protection that National banks receive in the event of the extension and revision of the National Housing Act was important also. Likewise, some banks at least had been exempted from the Federal Reserve System, but had they been enacted into law, would have simplified compliance with some provisions of the statute.

At the close of the year, Senate 2150—extending the time under which inter-bank deposits might be made—had been passed by Congress, and the Social Security amendments of 1930 were passed by Congress, and post national banks to the provisions of the Social Security Act.

Of importance to the Federal Reserve System is the entire activity given to the Banking and Currency Committee of the Senate to conduct an intensive study of Federal Reserve System legislation. To the National Bank Division the Governmental Reorganization bill has been of particular interest. The bill, if enacted, and the Currency of the Congress was not exempted from its provisions. The measure knows nothing of the effect on the office of the Comptroller of the Currency, failed of passage.

We make no mention of these in particular for the reason that all this is included in the late annual report of the Banking and Currency Committee. Legislation broadening the powers of the various governmental agencies has not been generally increased. The Bank of New York and has been given attention by those of our organization responsible for the legislative endeavors.

The Washington office of the American Bankers Association, under the leadership of D. J. Needham, President of the American Bankers Association, in continuation cooperation with A. L. W. Whiting, Chairman of the Legislative Committee of the American Bankers Association, has served interests and the well as the interests of the American Bankers Division, but of the entire American Bankers Association.

Here in Hawaii, First Vice-President of the Federal Reserve Bank of Hawaii, and Robert V. Fleming, past President, have continually given of their services to safeguard the welfare and the stability of the banks of the Nation.

Inactive Officers

From time to time the Board member attention to the seemingly unwarranted hardships which resulted from the lack of distinction between active and inactive officers whose borrowings from their own banks were limited to 50,000, a much higher percentage of their good loans to some of the most desirable customers could not be made because they were classified as inactive officers. The measure approved the principle of credits and with no part in the determination of policies or actual management of their banks.

Small Business Loans

The Division has given much attention and sound judgment toward several proposals to give effect to this considerable volume of Congressional thought which assumed that a liberalization of loans was the element necessary to unblock the forces of business development. The Division approved heartily the principle of ample credit extensions upon the sound bases evolved by several years of lending experience, and also upon any modification of those bases which will not jeopardize the safety of deposits. The Division members are in complete accord with the desire to encourage business through any safe means, but they do not agree that either local or National Interests would be best served by disregarding rules from the fact that the banks have shown an unwarranted increase in the value of credits inherent in unwarranted overextension of credit to those whose capacity for repayment or ability to discharge their obligations is no greater. The principle creates a situation which might readily jeopardize the soundness of our banking structure.

The President of the Division, representing it before the Senate committee, expressed his approval of the ends sought to be attained, but in spite of the multiplicity of the issues involved, emphasized the need for an accomplishment of the purpose by ignoring vital lending experiences cannot be accomplished either to quicken the recovery movement so merely needed in the United States.

Capital Fund Requirements

Throughout the country the high capital and surplus funds National banks have earned and need, when properly used, are shown to be an industrial strength in common in the smaller communities. The $40,000 minimum capital for National banks has frequently been mentioned in connection with their efforts to increase their capital and surplus. Almost as a consequence in other instances is the minimum of $25,000 capital and a final limit for surplus of the Banking Act of 1933. In recent years and continuing to the present time and the personal capital has been a tendency for National banks to surrender their charters and operate under State charts. National banks, however, are not treated as a separate class, and the provisions are applicable to all the banks operating in the United States. The requirements are designed to slow to the security of capital fund requirements. While ample capital funds to support the deposit structure is absolutely essential, just as necessary is the prudent and proper use of the funds to be safeguarded for depositors' funds and profitable operations.

From the reports of the Federal Reserve System as well as that Federal Reserve banks, the condition of the banks and the higher cost of living are being felt, as the cost of living is the general safeguard for depositsors' funds and profitable operations. From the reports of the Federal Reserve System as well as that Federal Reserve banks, the condition of the banks and the higher cost of living are being felt, as the cost of living is the general safeguard for depositsors' funds and profitable operations. From the reports of the Federal Reserve System as well as that Federal Reserve banks, the condition of the banks and the higher cost of living are being felt, as the cost of living is the general safeguard for depositsors' funds and profitable operations.
I might say there is nothing, no matter how serious it is in your bank, that should surmount in importance this investigation, so far as the future of your bank is concerned. So if you are called on for help and assistance, I hope, no matter what you are engaged in, you will drop it and help with this most important work we have before us in the next 60 or 90 days.

The Wagner resolution providing for a study of National Monetary policy by the Senate Committee on Banking and Currency, was passed by the Senate in August last.—Ed.]

Report of Committee on Nominations

President Cook: I will call on Francis Marion Law, Past President of the American Bankers Association, who comes from Houston, Texas, to give us the report of the Committee on Nominations. Mr. Law is Chairman of this committee.

Mr. Law: The report of the Nominating Committee of the National Bank Division is as follows: We beg leave to submit for your consideration the following nominations:

For President of the National Bank Division—Melvin Rooff, Vice-President, Houston National Bank, Houston, Texas.

For Vice-President of the National Bank Division—Andrew Price, President National Bank of Commerce, Seattle, Wash.

We have four members for the Division's Executive Committee: The Second Federal Reserve District, the Fifth, the Seventh, and the Twelfth. These are for three-year terms.

Second Federal Reserve District—F. Raymond Peterson, President First National Bank, Paterson, N. J.

Fifth Federal Reserve District—James D. Harrison, Vice-President First National Bank, Baltimore, Md.

Seventh Federal Reserve District—John J. Anton, Vice-President First National Bank, Chicago, Ill.

Twelfth Federal Reserve District—O. A. Hougum, Vice-President First National Bank, Eugene, Ore.

[The report was duly adopted and the officers installed.]
In view of certain economic situations in the world and political situations, I have taken the liberty of departing from the usual custom to speak to you briefly with respect to the political philosophy of our time.

Humanity is on the move. It is one of those great periods in history. . . . When the pages of history have been written with respect to this age, no doubt it will be as important as the Dark Ages, followed, we hope, by the Renaissance. Certainly people are as emotional now as they were when the great Crusades were made. We have dictatorships all over the world; religion banished from many countries. Certainly, in Europe, the Four Horses of the Apocalypse ride again. Once more, back and forth across those plains that have known so much bloodshed, swings the long engaging scythe of death—only this time with increased tempo, and with much more effective instruments of destruction. The culture of the ages is in danger. Civilization itself seems to be tottering.

Again tens of thousands of the flower of youth, friend and foe alike, are blended in one great red burial. Little children, whose pinched faces blanch at the road of new monsters of the air, are scuttled into underground holes like so many rats. Behold man at his worst!

Surely He who wept over the city of Jerusalem must now be howed down in grief.

As we stand helpless and aghast, and contemplate the destruction that may be wrought before the world concludes this struggle and current civilization lies desolate and prostrate from its effects, we somehow sense its utter uselessness.

With our progress in science and invention, with a productive plant capable of supplying an abundance of life and happiness to every family on the globe, we grow sick at the thought that the strife which now engulfs the world may end in such a crosssection of mankind that the reparation may be a matter of centuries.

Faced with such an imponderable, and seeking to grope our way out of the depths that threaten us, would it not be well to recheck our figures, to retrace our steps, to examine the route along which we have come, to re-read the markers past which we have driven too fast, so that if possible we may discover how, when and where we have lost our way?

So it is, in a spirit of reason and logic, that I am attempting now to go back to origins to find some light on the question, if I can, as to why man, conscious of the oneness of the human race, even after centuries of experience and the lessons of history, seems unable to work out and accept either a moral or legal code which will enable him to enjoy in peace that abundance of life which is so freely at his disposal.

Currently we hear much of Nazism and Communism, supposed to be new and opposing ideologies which offer a complete solution to the manifold difficulties that confront the human race. As a matter of fact, both are no more or no less than the modern version of an ancient doctrine advocated by many philosophers, including Spinoza, Bentham, and especially the German philosopher, George Friedrich Hegel, over a hundred years ago. His philosophy was but a restatement of the doctrine of absolute and supreme power of the State over the individual, as opposed to the democratic theory that man is older than the State and possesses certain personal or inalienable rights as so forcibly stated in the Declaration of Independence by the American colonists.

According to Hegel, the State is an impersonal supreme being, possessing absolute power. It is the highest form of the universal reason and will, and all dutiful citizens must live and act according to its needs and demands. Hegel says: "The State is the realized ethical idea or ethical spirit. It is the objective spirit, and the individual has his real existence and ethical status only in being a member of it." In short, the individual has no rights whatever, even the right to live, unless the State so decrees. Thus it may be observed that the present National Socialist regime in Germany presents nothing essentially new in so far as this brand of philosophy is concerned, but represents a social theory that appears to be inherent in the German nation. Obviously such a doctrine opens the door to absolutism and tyranny, cuts its people off from any right of appeal, and depreciates the value of human life. The full answer to such a doctrine is found in the famous encyclical letter on the reconstruction of the social order by the late Pope Pius XI, whose whole life was devoted to the uplifting of the proletariat, and who yet had a fine conception of the necessity for harmony among all ranks in the social order. Keenly conscious of the obligation of men of wealth toward society, especially as regards their superfluous income, he nevertheless strongly condemned the contention of socialists that economic production must necessarily be carried on collectively. "Society, therefore," he said "as the Socialist conceives it, is on the one hand impossible and unthinkable without the use of compulsion of the most excessive kind, on the other it fosters a false liberty, since in such a scheme no place is found for true social authority."

As opposed to the theory of absolutism is the doctrine embraced by most civilized nations, democracies in particular, that the individual possesses certain rights that cannot be surrendered at all, even to his own government. These are called inalienable because they cannot be taken away from the individual without doing violence to his personality. They include the right to live, the right of self-defense, and religious liberty. From this point of view
a human being is valuable for himself apart from any other
human being or the State itself. In a democracy, "a human
being retains his value because it is intrinsic to him." The
reason . . . is to be sought in certain inner endow-
ments. These endowments are the powers of in-
telligence and free choice. They are the endowments
which make the person into an independent, spiritual soul.

"The powers of intelligence and freedom of choice are pos-
sessed by man alone, and are not found in any being in
the world outside of man. These possessions invest man
with the quality of intrinsic value. By means of them he is
able to carry out his will freely in judging between right
and wrong. Obviously, he could not merit happiness if he
did not understand what he was doing, or if he were not
free in his actions. Because of his intrinsic value, every
person possesses the quality of inviolability. This quality
forbids others to harm or injure his person in any way.

Wars will not cease until governments acknowledge and
respect the inviolable nature of the individual, whether he
be friend or foe. There exists no moral law under high
heaven which gives a nation the right to take human life
of other nations for material considerations.

But neither due regard to the spirit of internationalism which
confines its prerogatives to the protection of these rights to
a form of government which imposes a planned economy
on its nationals may be quite as unnoticeable as it is in-
sidious. Although at its climax it may break forth in the
form of revolution, it is brought about often with the full,
though often unconscious, cooperation of the governments themselves.
It has its genesis usually in the necessity of some economic
crisis within the State, or by the fear of war from without.

In either case, realizing that prompt action is necessary
against a common foe, citizens of a democracy intrust their
leaders with certain emergency powers to provide for the
common defense—and thus in a spirit of patriotism and uni-
versally forego rights which under normal circumstances they
reserve sacrosanct unto themselves. At the time of this fore-
going there is no thought of giving up inherent natural
rights indefinitely, but usually, to use the stock phrase, it is "for the duration of the emergency." The grave dan-
ger of this departure from these basic tenets of a free
people is that either the laws voted in an emergency are
seldom repealed, or the period of the emergency is so pro-
longed that the restrictions which tend to stifle fundamental
rights become a permanent and accepted part of our politi-
cal system. Such emergency powers are usually promul-
gated whereby an ambitious Administration actually may vest in
itself certain dictatorial powers which the electorate never
intended should be lodged permanently in any one branch
of the Government.

The demarcation to which we have been sub-
jected in the past few years arises from the idea just men-
tioned as to the divine right of the State, which theory, it
seems, unfortunately must be tried and disproved at fre-
quent intervals in the history of nations. This condition
invariably has for its basis the concept of reformers, who
would have us believe that government should occupy not
only the position of arbiter or umpire, but also should enter
into the game as quarterback. This is graphically illus-
trated by the National Labor Relations Board, which be-
comes prosecutor as well as judge and jury. Such a govern-
ment, impressed with its own omniscience, becomes intoler-
ant of any opposition, and all too often must use force
to impose its will upon its citizens—and gradually its people
pass from the status of free men to that of slaves.

A president, legislator, or government bureau executive is,
after all, merely a human being like his fellow men. One
president has no right to oblige others to do things which
they prefer not to do. All human beings are essen-
tially equal, for each has the same intrinsic worth and
importance as every other. Hence a public official, in his
personal capacity, has no right to bind the wills of his
fellows, and can do so only as they have, through statutes,
and undertakings, given him the official right to do. Under our concept of government, where this
right is not positively and affirmatively given, such a right is
specifically reserved either to the individual or to the several States. The manner of administration of the
National Labor Relations Act presents a dangerous threat
to freedom of contract, any in my judgment will in the end
prove to be unworkable. Its machinery is too intricate,
too detailed, and will never prove an effective substitute for
tolerance and understanding between business and em-
ployees. Morality cannot be established by government fiat.

This is not to say that the State should not be concerned
with respect to the economic welfare of all its citizens,
particularly the low income groups, nor to say that capital
should be permitted to reduce labor to a condition of eco-
nomic servitude. The story of the factory women and chil-
dren of the first dark days of the industrial revolution
pictures a situation which should be avoided now—machines
had been perfected, steam had come in, coal was at a premium, hand labor was doomed and hand laborers were
checks and balances designed to redefine this boundary
from time to time, in so far as it is humanly possible to
do, and he who would destroy this system, however cumber-
some it may be, strikes at the heart of this republic. That
is the danger inherent in any proposal that the executive,
legislative, or judicial branch of our Government has an
unli
due influence on either or both of the other branches.
That is the danger inherent in any proposal that States
shall continue to yield their sovereignty to the Federal Gov-
ernment. That is the compelling reason why the American
dual banking system must be preserved lest there be a
further centralization of strength in Washington, and
the ultimate end of State autonomy, toward which we are
drifting slowly but surely.

Since the advent of the Federal Reserve System and the
Federal Deposit Insurance Corporation some State Banking
Departments have surrendered their independency of
thought and action. Let, so long as both the State and
National banking systems exist, they serve as a check on
each other and at the same time cooperate in their work.
Grant, for the sake of argument, that we might have a
more economical and efficient banking system by consoli-
dating all state, county, and city charter banks into one
agency, we would provide the most powerful weapon for
economic and political control that can possibly be
imagined. While the FIDIC machinery is a step in the
direction of concentrated power, yet so far it has been
splendidly managed and, so long as a bank may, if it meets
certain requirements, convert from the State to the National
system, and vice versa, and membership in the Federal
Reserve System is voluntary for State banks, a measure of
checks and balances is maintained. What little is left
certainly should be preserved.

I have said that the transition from a form of govern-
ment which limits its interference with private initiative,
to one which dictates a planned economy, often steals upon
us ere we are aware. You are too familiar with the history of
our past few years for me to detail the various specific
BANKERS’ CONVENTION

measures that have been enacted which have tended to weaken gradually States rights and lodge more and more power in our National Government, nor can anyone fail to note the proportions to which the power of the executive branch of the Government has expanded, while that of both the legislative and judicial branches has declined. This does not augur well, and we must have it clear in our minds that what mitigates by the prodigies and lavish expenditure of money from the public treasury, and yet we found ourselves this spring with more unemployment than we had in 1932, and facing a debt of $41,500,000,000 by the end of the fiscal period 1940—with an annual interest charge, even at low rates, of over $1,000,000,000. This one item is more than three times the amount of the entire cost of the annual budget in the Administration of President McKinley. Some four to six million people are directly or indirectly indebted to the Federal Government through its labyrinth of lending agencies. Thus either through legal or political means the Federal Government becomes more and more dominating.

Nor am I one of those who believe that all of the blame for our difficulties attaches to those in high places, for in a democracy at least leaders are usually responsive to popular demands, and when we fault, it seems to me, we are too lenient with the average citizen who has forgotten, or who has not yet learned to think in terms of the general welfare. No better proof of this could be manifested than the attitude almost generally shown in our country with respect to the so-called reclamation and reforestation activities which only added to the mounting debt we so bitterly assailed at the same time.

A favorite news release, and unfortunately a most effective one by a member of Congress standing for reelection, is a recapitulation of the expenditures which the Federal Government has made in his district, and a favorable comparison of them with the amount of taxes collected therein. I do not need to enumerate to you the many instances wherein the citizens of this country have either supported, or have been adamant with respect to unwise and fantastic proposals simply because they themselves were the beneficiaries. As one member of Congress so aptly suggested, which is the farm bill, which has been initiated to retrieve our position, is representatives in Congress who can think in terms of “my country” rather than in terms of “my district,” and constituents who will approve their stand. Moral rearmament cannot begin at the top. It must first find its place in the heart of the individual citizen.

Illustrative of what I mean, I often recall a visit I had at the close of the last war with my good friend the late Senator Joe Robinson, who unfortunately like the rest of us some years later became charmed with the emotions and largess of the New Deal. After a separation of some two years, during a part of which I had been completely out of touch with what was going on in this country, I called to pay my respects as we were then both citizens of the same State. During the conversation I shared with him the pride he evidenced as he old me of the sacrifices and self-denials Arkansas had made during the war in the conservation of sugar, flour, and other foodstuffs as called for by the Food Administrator, and other economies the State had practised in order to help carry through in the emergency. Other States showed a similar spirit of self-denial. This was then the badge of honor, and I say to you that when the time comes that we can revive that which is the soul of America, think a little more about our duty and what sacrifices we as citizens can make for the sake of national recovery, rather than what we can get from the national Treasury while recovery is being attempted, then we will begin to construct a way out of this confusion and avoid this unmistakable trend toward concentration of power before it is too late.

I have also said that the transition from a democratic form of government to one which dictates a planned economy, usually makes its greatest strides during periods of national emergency. A pertinent case in point is the recent collapse of the European nations now confronting us as a result of the war in Europe. No one of us desires to criticize or to hamper the President unduly in discharging the tremendous responsibilities that are his in this difficult and critical situation, and thus normally all would be quite willing to forego many of our personal rights in the interest of collective defense and security. We would be less than frank, however, if we failed to say that the complete confidence which should obtain in such a situation does not now exist. It will be difficult for those substantial elements of our population who are the victims of the past to realize this. A partial cure in point is the necessity of re-creating and founding an atmosphere of confidence which will make it possible for the Government to carry through the work which it has been endowed to do. We should be long enough to forget the mistakes of the past, and to understand the difficult situation in which we now find ourselves.

It seems to me as we have gone a long way on this transition from our original conception of a free government to one which dictates a planned economy, and that it is high time we pull over to the side of the road, shut off the engine for a while, and have a look at our compass. I feel confident that we are now capable of fulfilling in other lands the same duties we are now being called upon to perform, and that the powers will not be permanently appropriated after the emergency has passed. Only time and Mr. Roosevelt himself can create an atmosphere of confidence so necessary to the best interests of the United States in the present condition of world affairs.

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Some Constructive Worrying

By R. E. GOMLEY, Superintendent of Banks, Atlanta, Ga.

I have been requested to talk to you on banking as viewed from the outside, or as affected by outside influences.

I should like to get away from the idea that banks are in the business of managing lockers. I want to focus attention for the reason that I regard myself as being primarily too such a bank to present properly the viewpoint of one loan officer. I think, that a lack of knowledge of the purposes and functions of banks, together with certain other factors, largely governs voting in money matters, and it may be that within recent years we may not actually destroy the American system of banking as we have known it.

Without boring you with even a summary history of banking, and of how they have come to be what they are today, it may be helpful to recall that when a bank was under the Federal Reserve System it is in this position: In a land of plenty, with unmeasured natural resources, with the Federal Government's policies and the Monetary Power, it has the possibility to manage even at an all-time high, and, at least as far as banks are concerned, to keep the possible price position which we have in an economic system apparently badly out of kilter, and there is a great deal of dissatisfaction and unrest in the land.

Now, in regard to multiple banking, we have had branch banking with the banks of 10 or 15 years; and it is, I think, has been accepted recently. Its record of accomplishment does not serve to offer a solution to our economic ills. I do not believe the American people, among them, Federal and local, will accept a solution of its problems due to the fact that on this question was the Federal Government was founded, one which permits of absentee control by the Federal Reserve Board. There is no question about that.

Yet there are powerful influences at work undertaking to override public opinion. There are forces, at least, which are here to stay. It is a duty of the American Economist Council for the study of branch banking, its effects, and its possible remedies, to take note of the situation and to point out this is interesting to note that the Chairman of this Council, in addition to being a lawyer in one of the leading universities, is also economic advisor to both the Governor of New York and Governor of California. It does not take a lot to propen the nature of a propaganda which will be disseminated by this group. What will its effect be? It is to undermine the spirit of Federal banking will serve to confuse our economic and business industries.

There is truth at the present time to the possibility of the Federal Reserve System being used for banking. Certainly, any such possibility there is likely. A most possible possibility there is the idea that the Federal Reserve System is doing more good than harm.

We have a record that was established a number of times for individual loans, and a number of times for the Federal Reserve System. It served no purpose for banking.

Yet we have an increasing disposition on the part of our legislative and executive bodies to pass measures that would have the effect of increasing the powers of the Federal Reserve System and to increase the powers of such factors already established.

It seems to me that under conditions according to your political affiliations, you would designate as an over-supply of credit, or a subnormal demand for loans, that some of our legislative forces and at least one of the Federal Reserve agencies, should be critical of banks for their failure to make loans, when at the same time there is a hue and cry from two of the Federal examined agencies for standardization of examining practices and uniformity of method of valuing assets, with the policy of at least one of these agencies, as well as the minds of its examiners, depending on the condition of the world, it would seem their purpose was to operate a position more unmanageable than supervisory.

In the last analysis, I have to admit that the problem which motivates our legislative forces. There is a demand from a large number of individuals for tax reduction, and for taxes that will ease the volume of our more liberal spending power. It is in answer to such demands that policymakers are seeking the establishment of additional credit agencies and the reduction of the control of such agencies.

We as bankers realize we can only afford to make such loans as will be repaid, and we certainly cannot credit our obligations with the same qualification that such repayment, whether made by the individual borrower or through the Federal Reserve Bank, is required in all cases, and that the effect of reducing spending power in the future, we cannot but see the soundness of a loan policy for the purpose of creating spending power, rather than for legitimate production. Granting it possible, it might be a fine thing if we could develop a control which would assure economic stability—on private system of checks and balances, magnificently geared to operate in response to a lever placed or pulled in Washington, which would result in uniform prices, production to take care of unemployment, and the necessary demand to stabilize such production.

Creating it possible, it might be a fine thing if we could develop such a System, with its extraordinary powers over banking and money, has unquestionably been a stabilizing influence. Yet in spite of the few years of operation, it has not always been successful, and has expanded and eroded credit through open market operations by discounting and by raising and lowering reserve requirements. It is a combination of uncontrolled funds and speculation and rivalry of control over margin requirements, business conditions continue to fluctuate, prices rise and fall, and banks and the Federal Reserve System are subject to any change that may come about old order.

If I have been suggested by the Board of Governors of the Federal Reserve System has been hampered in its efforts to further economic stability by contradictions of measures and policies, and investment policies should be more closely aligned with monetary control.

While there may be some merit to the criticism that examining policies of economic stability may produce fluctuations. Such fluctuations, when belief in a stable currency, is when policies are being unduly lagged and harassed by such policies, I regard it dangerous to proceed to one thing and then again to the other without monetary control.

Perhaps we have reached this conclusion: The advocates of a so-called managed economy have reckoned without certain phases of human nature, which are as old as the hills and which will continue to exist until the end of time. They have reckoned without the fact that people are being called wicked and harassed by such policies, I regard it dangerous to proceed to one thing and then again to the other without monetary control.

Now, on the question of bank exams: I think that all super¬

merchants and bankers should be able to get two or more bankers to see everything through the same hole in the wall. We have not been accustomed to a management that is made for that latitude in credit which has been responsible for the rapid development of banking and to which we are so necessary to the business life.

The hue and cry which has been raised by some of the Federal agencies for uniform examination standards, standardization of forms, etc., and which has been taken up by the State Supreme, at least, as a matter of one thing, and that is the elimination of shifting of State Banking Departments. To argue that there is a necessity for the State to make examinations, call for reports of condition, etc., if we are to accept forms of supervision which do not provide for a separate, perfect, and if we are to permit our minds to be so dominated that our thoughts and ideas as to examination policies, methods of valuing assets, etc., are under the control of Washington.

There are perhaps features and conditions pertinent to the operation of banks in Montana which do not apply in Georgia. Likewise, similar variations exist, even within separate States which could be unduly rendered. So it seems, to enforce uniform regulations, without regard to peculiar local circumstances, in large banks as well as in small, in banks located in agricultural sections as in banks located in industrial centers, cannot but hamper their operation and curtail the service which they have customarily rendered.

It is true that there are certain basic principles which all supervisors should recognize and conform to. And I think we can adopt these principles we, as Supervisors, can hope to enforce. The responsibility of determining loan policies, soundness of investments, etc., must necessarily rest with the banks themselves.

I tell you, gentlemen, if you invite your State Banking Departments to be eliminated by those banks, the result must be the same, and by that of any Federal agency, you have given a long way towards accom¬

plishing centralization. This is the result of the money manipulations and the creation of an unregulated credit control or the abuse of such control for political purposes.

This brings us to the question of centralization, or a unified banking system.

For approximately 75 years this country has been served by a dual system of banks, State and Federal. I believe we may add it has been well served. The system to the development of a school of thought in banking, advocating the conversion of all banks into National banks. This sentiment for a united system is the result of the want of success we have had at the time of either of the advocates of centralization of control, of State banks by the separate States and that is the result of the want of success we have had at the time of these basic principles sometimes do, it has in the main kept remarkably free from political influence. To transfer its function to or merge it with the Federal Reserve System or other newly-created agency, or whose then dual functions would be in such case, would, in my opinion, be detrimental to the service which National banks are rendered.

In the operation of the Federal Reserve System, with its functions, as its name implies, it is part of an integral system of Federal and State banking, and exercise supervision over member banks, etc., advocates of centralization saw an opportunity to accomplish such a result. The system has at all times carried a large number of National banks. The course of operation of the two systems has been already too far removing the Federal Reserve System would be always) that the Federal Reserve System has become the Federal Reserve System and what it has accomplished. The relations between my department and the Federal Reserve Board of our district are and have been always very cordial, and I would say the Federal Reserve System has justified its creation many times.

As a result of disturbed conditions and as an aftermath of the banking holiday, another factor entered into banking. The National Congress created the Federal Deposit Insurance Corporation.

Deposit insurance was not a new thing, but had been attempted by various banking groups and by several States. In each instance it did prove unsatisfactory and the idea was generally regarded by bankers as impracticable. With the prestige of the Federal Government and its seemingly superior capital base and reserves, the Federal Reserve and the Federal Reserve banks behind it, it has imposed upon a large number of bankers. The payment of insurance deposit accounts up to $5,000, while of some direct consequences to larger banks, has had the effect of placing smaller banks on a better competitive basis with larger banks. There is no question in my mind that it has been a blessing without any shabard in the System a disadvantage.

Yet I have been urged regarding the system and what it has accomplished. The relations between my department and the Federal Reserve Bank of our district are and have been always very cordial, and I would say the Federal Reserve System has justified its creation many times over.

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COMMITTEE AND OFFICERS' REPORTS—STATE BANK DIVISION

Address of the President, Henry W. Koeneke, Presi-
dent, Security Bank of Ponca City, Ponca City, Okla-
oma

Independent Banks Meet Public's Banking Needs

This is our annual round-up. Ten months ago we gathered in Houston, Texas, and that meeting you honored me with the Presidency of your Divi-
sion. You bestowed a great honor upon me and gave me an opportunity for useful service and pleasant association which have been among the out-
standing experiences of my lifetime. Each administration has built upon the foundation of its predecessor; and I assure you that we have the adminis-
tration now closing has attempted to carry forward the traditions, serve the public, and maintain the high ethical standards of its own. In the past, the Division has been strengthened in some degree because of our service, that contribution will be or can be renewed.

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Throughout the year we have tried to maintain close contact with our Division and the national, state, and local boards. Each one of these boards has been informed of our activities and seeking their advice and guidance. We plan while we are here at this meeting to have a breakfast meeting of our Executive Committee for an intimate exchange of ideas and for the planning of a future program. This increased mutual assistance has been one of the significant developments of the Division's year. Our Division is the machinery through which the State chartered banks express themselves and it is appropriate for them to do so through their representatives, the State Vice-Presidents, in our councils.

Your Committee on Federal Legislation has been most effective this year. It can point to one great achievement alone which justifies its existence and your support. Under his leadership the compulsory Federal Reserve membership provided in the Banking Act of 1933 for banks with deposits of $1,000,000 or more was repealed.

The work done in Washington and the action taken by Congress and the President in keeping with the spirit of the dual system of banking and the original constitution is not only one of the great contributions of the Federal Reserve system. It is a voluntary federation of regional Federal Reserve systems coordinated through the Federal Reserve Board.

We cannot look with favor upon the current efforts to centralize control of the nation's banks. The establishment of the 12 Federal Reserve banks was the culmination of an historic development with two preceding decades of thought dating back to the establishment of the first bank in the United States in 1791. The 12 Federal Reserve banks are representative of the banking systems of the various regions, and the system is based upon the philosophical and political reasoning that the range of the diversified nature of American economic fabric and a reflection of the needs of the American people which is local, regional, economic, and social development. Each Federal Reserve member and current efforts to center financial control in Washington represent an attempt to undo and reverse the principle that has prevailed through 150 years of struggle. Such a change will be neither wise nor beneficial to the economic life and commerce, even its own asset and sometimes its own vocabulary. Each contributed its strength to the Nation. It is a new idea that each must depend for its strength on Washington.

We expect to be able to report success to you in our efforts to have extended the time limit of the Clayton Act amendments providing protection for serving on the boards of two banks. While both houses of Congress passed the extension, the President vetoed it.

Of greater legislative concern to us, however, was the Mond Bill, pro-
viding for the elimination of bank and business and supplementary expenses to estab-
lish government banks. The original purpose of the Mond Bill was to make low-rate loans available to essential business enterprises in competition with private banks. When the measure was defeated, the public was furnished with a new popular weapon with which, if promptly and effectively introduced, the banks and the Administration would have been subjected to heavy pressure. With publicity released in support of this project, The Association made an effort to influence Congress and the Administration to make the bill a measure, in which your President had a part. While this measure was defeated, it furnished a distinctive precedent in some form for the next Congress of Congress.

A thought was made on the banking system this past year under the guise of offers to provide credit and capital not available through the normal channels. The proposal for insured loans was but a small phase. A bank could be insured the same as a governmental unit under the laws of the United States. Government banks. Government witnesses appeared before Congressional committees and other bodies throughout the year. Briefly, the theory held that the country had achieved economic maturity, that there no longer is room for great industrial development and expansion which that industry no longer offers opportunity for investment. Therefore, capital is not being invested and the machine is stood down. Hence the Government should undertake to assure economic activity by taking savings and investment capital and investing it in industry and public works.

It was confounded by one Government official that under this program the Government insurance was to be taken care of for the benefit of units of the country. That meant the end of free enterprise.

United States' installment loans are scheduled on the entire banking set-up. There is no doubt but what a challenge will be made against the dual system of banking, seeking ex-

One can readily see that socialized lending can easily stifle private enterprise. The outstanding difficulty is that the American people are not ready for this.

One of the leading daily papers of Oklahoma recently had an editorial which is a point of some of the thinking American business men, which is as follows:

"You Sure Done—'Til there is more demand for money, all persons having high standing for their financial position will continue to have the first and last word. They will take all the credit that can be made. We have our present financial system and the public is able to merge together as one body. We do not need to be educated; we are not going to be educated and cannot be educated. The disintegrated mass and the growing burdens of taxes have something to do with dimin-

"The American people are individualists, full of initiative, willing to accept any responsibility it is related to business. Have we not confidence to see
a thing through successfully? Are we lacking in courage and the spirit of advance? Are we falling behind the times? We believe that the Bankers Association's Committee on the survey of the State Bank supervisory policies in the various States and the material for their survey, which includes information on qualifications, examination of bank presidents, bank examiners, bank directors, and the like, obtained by the State Bank examiners in the various States. The data of the survey, which covers information contained in the reports of the examination of State banks. We believe that the Bankers Association should make the survey to determine whether the State Bank supervisory policies in the various States and the material for their survey, which includes information on qualifications, examination of bank presidents, bank examiners, bank directors, and the like, obtained by the State Bank examiners in the various States. The data of the survey, which covers information contained in the reports of the examination of State banks.

The Committee on the Public Relations of the State Bank Division has been asked to consider the possibility of organizing a conference of the Bankers Association's Committee on the survey of the State Bank supervisory policies in the various States and the material for their survey, which includes information on qualifications, examination of bank presidents, bank examiners, bank directors, and the like, obtained by the State Bank examiners in the various States. The data of the survey, which covers information contained in the reports of the examination of State banks.
SAVINGS DIVISION
AMERICAN BANKERS ASSOCIATION
Thirty-Eighth Annual Meeting, Held at Seattle, Wash., Sept. 25, 1.39

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Report of Committee on Nominations

Good and Bad Money
By Julian T. Baker, United States Secret Service, Treasury Department, Washington, D. C.

During the past two years, while attending States banker conventions, I have had the privilege of meeting many of the Presidents of the American Bankers Association and State Associations, some of whom, when questioned by their inquiries were unaware of the duties and responsibilities of the United States Secret Service.

Coming from bankers, these inquiries have been a bit perplexing, and I have even wondered why bankers know so little about the world. Except in so far as the counterfeiter and the money passer into the discussion, the questions are so closely related. However, it has occurred to me that perhaps it is our fault that we are not better men in the minds of our customers.

I say that this is one of the reasons we are on your program today, for we want you to know that the Secret Service is a division of the Treasury Department, is one of the oldest investigative agencies in the Government structure. In fact, we are this year observing our seventy-fifth anniversary. Briefly, we are charged with the responsibilities of preserving the integrity of the currency and coinage and other fiscal obligations of the Government, as well as the protection of the President of the United States and members of his family, and the person elected to be President.

We are called upon many times to protect our well known and respected officials, and we are usually successful in raison of our constant, minute protection.

The Secret Service is concerned with the many arrangements connected with this dual task were successful in every particular.

Since the beginning of the Society of Arts, the American Bankers Association has been an active supporter of this society, and has been one of the most vigorous and unflinching of the counterfeiter, your terrors the front line trenches and you must depend upon the punishment and discrimination in determining the quality and character of the money passing through their hands.

Felies perform a splendid service through their general efficiency in detecting counterfeiters included innocent in customer deposits. Many new counterfeiters first come to our attention in this manner. I feel that no efforts in suppressing counterfeiting would be rested in great measure if we failed to receive these assistance from our banker friends.

With a comparatively small field scattered at strategic points, the responsibility of keeping our money clean rests equally upon the Secret Service. Bankers share with us a common interest in this responsibility, and every day in recent years has developed into an organized racket with underworld connections extending throughout the entire country.

We value highly your cooperation, and it is Chief Frank J. Wilson's desire that all banks and bankers see themselves as unofficial Secret Service agents, always on the qui vive for that daily commodity which is the iniquity of the criminal engraver and the criminal printer.

The Ben Franklin Bank Reserve of Washington, Jefferson, Lincoln, Hamilton, Jackson, and perhaps Grant and Franklin, hundreds of copies of which are in circulation, are in the hands of the Society of Arts, which is the common enemy of the criminal engraver and the criminal printer.

The United States Secret Service, Bureau of Engraving and Printing in Washington, D. C., surpasses in excellence the currency output of all other nations, because our genuine notes are printed from steel plates superbly engraved by hand by the finest craftsman in the world. Engravers for the serial numbers and Treasury seal, which are surface printed, every line is a masterpiece of handwork. Engraved designs and figures are closely and distinctly and the composite design presents a challenge which the counterfeiter has never before failed to meet. This is the keenness of the engraver's eye and the skillful engraver's hand, to fulfill the exige of its ever increasing demand and to meet the test of the best. These distinctive features are difficult to discern at first glance and, contrary to popular belief, they are not intended as a protective feature to prevent tampering.

In this fast-moving age the average person does not take time to consider the details or the terms of quality presentation. The Secret Service is inclined by habit to identify currency by the large denominational amounts of notes in circulation. This is expressed by the artistic finishmanship, superb engraving and printing values and general high-class appearance of our paper money.

I have in mind a grocer who entertains a clientele which demanded the best of every article the market afforded. Fully aware his customers purchasing from his friendly and courteous wholesale dealers daily before sun-up to replenish his stock, shopping at various

book in an honest effort to obtain the choicest items of his list. One day, when he was given a bank note made for the President of the United States, he was asked if he knew anything about the money, and he said, "not a thing," and then added, "I only know that it is worth more than $10." The grocer knew most of his customers, and generally a stranger patronized his store, and the stranger sale to a steady-dealt man, whom he did not know, failed to register with him until a few minutes later, when he sent the bill by one of his clerks to the bank for back for him. He then reentered his library heights when the clerk returned with the announcement that the bank had returned his note as counterfeit.

In common with many other people, this grocer was unaware that counterfeiters are passed between $10 and out of 100 or 200, but I have heard the game will exercise as much care hereafter in handling his money, in particular money passed by strangers, as he displays in selecting a farmer's crop or buying a horse. This man had taken his experience and passed it around to his family and neighborhood.

Current counterfeiters cannot be compared in deceptive quality with the issues which have been passed for years. For instance, the printing and printing have been simplified in recent years, it is unnecessary that the counterfeiter shall be a hand engraver skilled in the graphic arts. It may be as simple as that counterfeiters may be perceptive by any person who has learned just enough about photo-engraving to build up a zinc block in a matter of minutes, and then, in selecting the counterfeiter who turns to photo-engraving finds a serious impediment provided by this process, which is incapable of transferring to metal plates the delicately-cut hand-engraved lines and shadow values which distinguish genuine notes. For this reason, fidelity to detail is generally lacking, particularly in the portrait in which the facial features are reproduced cunningly and the eyes lack expression and vitality. Because of this inferior workmanship, fakes on counterfeit notes are obviously strange and "unfriendly," echoing the base character of their unseemly airs.

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Savings Division.

Issued fully, naming other important figures who for many months had been under surveillance, including a group of gangster Italians long on our suspect list. This group acted as distributors, or wholesalers, and maintained connections with other dealers in various sections of the United States. They were arrested promptly and convicted by Forester's testimony.

The capture of Terhorst removed from the scene a most dangerous character whose activities in his chosen field resulted in the arrest by our agents of approximately 100 persons as distributors and procurers.

With the issuance of the small size currency notes, the Government curtailed materially the activities of another type of counterfeit who does not concern himself with the detail and expense of assembling a photostatic reproduction of his notes but relies on an artistic flourish to increase, for his purposes, the original value of the note. He may even tear off the corners of $5, $10, $20, $50 and $100 notes and substitute in their place tears of some sort of similar description. Genuine notes are issued in 11 denominations, each carrying a standardized denomina-
tional name as to the amount it represents, and every note is accompanied by a note which should be recognized only by the portrait it bears. If one will remember the practice of the late Emperor Napoleon, and that of his predecessor, notwithstanding the fact the swindler may display amazing skill in concocting a note of small denomination into a note purporting to be of a larger denomination, the following contrast on the various denominations: Washington; 81; Jefferson; 82; Lincoln; 83; Hamilton; 84; Jackson; 85; Genet; 86; Franklin; 87; McNulty; 88; Gleave; 89; Madison; 85; Chase; 85,000.

Our country is dotted with small criminally-minded persons of meaner means. For the most part, counterfeiters are made of lead or bitumetal in places of employment. Some counterfeiters are noted to work with a silver plating bull to increase their deceitfulness. These cia are generally light in weight and produce a dull sound when dropped on a hard surface. Some other counterfeiters have been known to rub them together one finger tips. Molded cia tend to reproduce accurately the portrait, and in some cases can be differentiated in error as the marking. Probably the surest test of a doubtful coin, except for theอาจาร or the professional, is the state of the silver coating. A drop of acid on this coat may produce a black spot, whereas a genuine coin would not be affected when applied at the point of abstraction. Genuines, as well as die-struck counterfeit notes, are not affected by this test.

Aside from our interest in suppressing counterfeiting, we are making a determined effort to increase the loss in circulation therein sustained by the banks, retailers and the general public through acceptance of counterfeit notes. In our endeavor to educate the business man to recognize the quality and character of our currency, we are coming into closer contact with our financial and, like Moses, we are spreading the truth so that the public may realize the loss sustained in circulation through counterfeits. Here-
tofore we have hidden our light under a bushel, monopolizing, so to speak, our educational work, but now it is our intention to open the road for the benefit of all. The bank has been removed, the lunar of this light extends to the highways and byways, the glare so strong that the counterfeiter finds his existence impossible.

As a forerunner of this campaign under Chief Wilson's direction, an educational paper was prepared and distributed this year to familiarize the retail business man and his associates with the identifying characteristics of notes. The Federal Reserve System was notified and the agents in counterfeits cases were instructed to have notices describing counterfeit notes distributed throughout their districts.

While the campaign was under way traffic in counterfeit money in the New York area began to decrease noticeably and marked reduction was also noted in the shipments of the larger denominations, with more than 60 branches, took a loss of $4,800 in counterfeit notes in 1934, and only $1,000 in 1935, resulting in a corresponding increase in customer deposits. This bank last year lost $732 and detected $14,747 in counterfeits, but the district lost only $1,000 in counterfeit notes, a bank is due to effects of our educational work in New York, which has been the operating loss for many years of some of the most dangerous and large cities in the country.

Distinguishing the skill of their tellers, banks in the United States lost $4,500,000 in counterfeit notes last year, compared to $67,500. In New York State alone the loss aggregated $70,258, represented by 1,550 different counterfeit notes. This is a comparatively small amount considering the record of former years, and we attribute it to the splendid cooperation we received from the banks, coupled with the enlightening influence of our educational campaign and intensive drive throughout the country against those who violate the counterfeiting laws.

Losses sustained by the public, and the banks as well, have decreased steadily during the past four years, the reduction last year amounting to $32,512, against a figure in excess of $100,000 in 1933. The public loss in counterfeit notes was reduced from $95,745 in 1932 to $50,873 last year. Our agents last year arrested 488 persons for making and passing bonds, counterfeit checks, drafts and notes and 8,500 for violating other laws which came under the investigative jurisdiction of the Secret Service. Arrests and convictions for the fiscal year ended June 30, 1936, exceeded any previous year in our history, convictions being secured in 91,000 of the cases tried to date.

It is well known that the successful banks in any community are those which establish a close public relationship with their customers. Your gentlemen who attended the California bankers' convention earlier this year were dubious liaisons larger with the program of banking than was ever known the theme of public relations. The public relations departments of some banks are overlapping an opportunity to tender to their depositors a genuine service in which effective missionary work may be accomplished with little effort and little cost. With this in mind, I hope the Secret Service discovery notifies the depositor. There may be in the teller's voice a touch of regret interpreted as the teller feeling that he was not the one to forewarn the bank, there is a strong probability he would have been deceived by this one.

In the public relations program of the banks you represent, can you think of a better public service than the sponsorship for the benefit of your depositors to have your tellers, accountants, and other bank employees, having for its object the education of your retail merchants in the detec-
tion of counterfeits? Some banks have employed in this way, in any public auditorium, with a bank officer or Secret Service agent as lecturer, who would possibly be more effective in your banks and the banks of other em-
ployees, who may or may not be your depositors, and will attract large groups when properly advertised. The Secret Service believes it to be its duty to provide this education, and we shall be pleased to cooperate with your banks by supplying, at your convenience, experienced agents who will explain the methods of counterfeiting and also large and small platen reproductions of genuine and counterfeit notes, together with a collection of counterfeit note and coin notices. It is our desire to have a presentation made of 1,000 to 2,000 notes, and an estimated total of 2,500 such meetings last year, attended by more than 100,000 merchants and their employees. In a few months we shall have available a sound motion picture film which will be shown as part of the program for furthering this program. We shall also be pleased to supply your banks with an agent or one of our field auditors to make a demonstration of the same notes, to dictes to your tellers. Incidentally, we feel that your tellers should know that counterfeiten are more serious than forgeries. It is a practice for counterfeiters to return to their victims when造假 are found to be reversions, and ask the bank to reissue the depositor and obtain as much information as possible concerning the circumstances under which the check was neglected. The Secret Service adopted this procedure not only with the thought of locating the forger quickly, but as a means of awakening the tellers to the fact that most of the counterfeits are not forgeries, as the bank has no way of knowing to what your nearest office by telephone or telegraph, or communi-
cate with local Secret Service. Some banks have already had this operation successfully under way in connection with their customer's deposit.

The banks last year issued the tremendous number of 148,907,048 checks. Some of these checks naturally fell into unauthorized hands. Since it is our responsibility to investigate forgeries of Government checks, our agents last year conducted investigations in more than 20,000 such cases. We are now placing in effect preventive measures intended to permit the number of forgeries of Government checks to be reduced. We feel that banks may be relieved of part of the additional work incident to investigations of checks when the Secret Service, in cooperation with the banks, is engaged in a concerted effort toward the purpose the banks are working in concert with us.

A Government check is a worthless instrument unless it is endorsed by the payee and carries the last endorsement of a person known to the agency which negotiates it. Your depositors do not cash commercial checks for strangers unable to identify themselves satisfactorily. Why should they cash Government checks for persons who cannot satisfactorily establish their identity?

As a further means of aiding your depositors to protect themselves against forgery, we have been urged to print on all Works Projects Admin-
istration (WPA) checks a device which would prevent the unauthorized overprinting of the WPA checks. The WPA has been extremely cooperative in supply-
ing the bottom: "See identification procedure and instructions on reverse of check." This bottom strip can be accomplished at moderate cost. We enclose a check above the open provided for the signature: "When making this check for the individual payee, you should require full identification and endorsement of WPA checks against counterfeiting.

May I say in conclusion that alertness is of primary importance in any business in which money is the main commodity? We know there is little salvage value in mistakes. If your bank accepts a counterfeit note, there is the possibility it may be paid out again innocently. I know depositors who claimed in full sincerity that this or that counterfeit came from their banks. I also know of banks able to trace a counterfeit to a depositor's account after the customer left the bank. Unless he is present to witness the discovery, the depositor is rarely ever convinced of the bank's claim. When controversies arise, the bank is the ultimate loser, not only in amount involved, but also in prestige, which later is important. Sometimes a good depositor is lost because the bank does not subscribe to the theory that "the customer is always right." Tellors may avoid these unprofitable controversies if they will "homily face" on counterfeiters, for, after all, by their face ye shall know them.

The World Today

By Dr. Fred I. Kent, Director Banking Trust Co., New York, N. Y., Chairman Commerce and Marine Commission, American Bankers Association

In Introducing Dr. Kent, President Williams of the Division said, in part: It may have surprised some of you who have heard this general subject in the past, to find the final speaker as "Doctor." While it may have been a surprise, we have been much gratified at the enthusiastic reception that was accorded this new and welcome designation. I can vouch for its authenticity because I was present when this doctorate was conferred upon him by the University of Washington. Dr. Kent is certainly an honor or perhaps one of such an honor better deserved than in this particular case. Not

only was this honor conferred upon Dr. Kent by a university, but by the American Bankers Association. This is a great honor, and in this connection it is interesting to note that this is the first time that the American Bankers Association has ever conferred an honor upon a foreigner.

During Dr. Kent's address which followed, he referred to his experiences in foreign countries in connection with banking affairs, particularly in the United States Government, and on many occasions he has been called as an adviser by foreign countries and has had the honor bestowed upon him of being called upon by the United States Government.

In France, as in other countries, Dr. Kent was in Europe addressing the International Chamber of
Commerce, that he is a man who comes to us with authority.

In spite of the fact that he is a banker by profession, he is also a scholar.

Dr. Kent presented his address as follows:

"We began, developed in a manner that no statement of conditions can be comprehensive nor understandable without taking it into consideration.

The mental turmoil left by the World War, instead of calming down and enabling mankind to think and act constructively, has treated the world as worse. The reason seems to lie entirely in the fact that men did not return to work to provide the Armistice in sufficient proportion to solve the problems left by the war. Instead, many millions were provided with buying power for doing nothing, which increased their unrest and started the world upon a false recovery. In addition, added power was given to those who were willing to promise the people prosperity through false promises.

This was equally disruptive whether those ignorant of economics and safe procedure had their way or whether efforts were made to utilize the multitude for their own power prevailed. As a matter of fact, these two groups worked together, as those striving for power—who understood the fullity of the means to the end that they promised—were more clever than the first group, and were able, therefore, to obtain added force because of the good intentions of the first group, despite their ignorance.

The result was the development of a "zirino" attitude on the part of millions of people, accompanied by the wishful thought, with which they hypnotized themselves, that they could have something for nothing and live off the efforts of others for the complete happiness. As mankind is constituted, happiness is based on one's own efforts to do his part in the world, and any temporary satisfaction that may come otherwise is followed by discontent.

The development of such psychologies inevitably led to the formation of organized minorities whose purpose was not to improve conditions, but to obtain favors for themselves directly or indirectly through the exercise of such power as they could bring to bear upon legislators and Government officials. Such procedure naturally followed into coercion and the great unorganized majorities have been led by the nose to approve, on the basis of misunderstanding, policies of government, that could only work to their detriment.

In the United States we have been directly affected by this development, as has been true in practically all countries of the world. In addition to this unfortunate psychological movement, together with the rise of militarism, the United States, with its great power, should have been able to stabilize the situation. Europe has also been obliged to struggle under the inequities and unwise provisions of the Treaties of Versailles, Trianon and St. Germain. It was only natural that under such a sequence of conditions the world should find itself in a new opportunity for the development of unwise and dangerous activities in its history.

When I was asked by M. Poloencra to go to Hungary to investigate that country to see whether he was justified in allowing the reparations to be postponed in order that Hungary might obtain a 30,000,000 loan, I had a chance to see what a terrible development was certain to follow those treaties. I found, for instance, 600,000 Hungarians north of the Danube were put into Czechoslovakia and taken away from Hungary, and the condition right straight through the country was most unfortunate. It made it difficult and impossible for them to live. When I made a recommendation to have certain parts of the line between Czechoslovakia and Hungary changed, parts that the Czechoslovakian people were willing to have changed in order to make it possible for Hungary to live, the League of Nations said: "No, that is not a good plan, because it needs to be where it is in order to have military strategy available." That was one of the things that happened after those treaties went through.

There grows an armament between many nations has ever been stopped by war. There are dealing reasons why this should be true. Competition in armaments of necessity lowers the standard of living of the peoples involved. This comes about because of the strain of expenditure upon governments, the utilization of the time of men and women in the production of goods that are useless for any economic purpose with the resultant fall in the building up of consumption and capital goods needed by the people for their better living and the diversion of raw materials from useful articles into those whose only purpose is to destroy men and the creations of men.

The result of such a system once started has in the past proved to be impossible. It was the hope of the world that we might have progressed sufficiently in our understanding to stop the competition in armaments that had been going on short of war. There is some reason to believe that this might have been accomplished if the nation which started the armament development had not been allowed to have the full intent of its government to utilize the force that it was creating to either bluff the other nations into giving up to them, in ways that humanity could not stand, or in going to war to obtain its purpose.

Even while the present war is being fought out, the peoples of the world must turn their minds so strongly toward the accomplishment of peaceful conditions afterward that it will relieve the strain of the aftermath of the war and allow the consummation of a peace based upon the intelligence or humanity may find itself unfit for civilized living for generations. The governments involved, through the demands of their peoples, must realize that their continuation is dependent upon their ability to bring about peace. Sufficient pressure from peoples upon governments to accomplish this one outcome is inconceivable if the men and women of the world are willing to sacrifice their hatreds, envy and greed and replace them with goodwill toward their fellow men, integrity in their thought and an active desire to do their part individually to make the world a better place in which to live. Such a change in the morale of the people of the world can only come about through a revival of spiritual faith which will restore the power of individuals to make the good that lies within them work for the benefit of all.

The problems that must be solved require such a change of heart upon the part of the people equally with every other character of difficulty that lies within the situation. Ways must be found to provide employment in constructive fields for those now engaged in war and the production of instrumentalities for war. A great resumption of trade between the nations is necessary if sufficient employment to meet the needs of such a transfer is to become available. Ways must be found, through the meeting of the minds of those in government in the nations, as to how best to correct the errors made in the past through treaties. There are differences among forces willing about fairness to all and the sense of overweening power to none. Ways must be found to increase production and its distribution on a basis that properly rewards ability and integrity, furthers private initiative and makes possible the best use of all the forces that lie within the hearts and minds of every individual.

The development of isms offers the greatest obstruction to the accomplishment of economic and political peace between the nations. They are also at the bottom of the destruction of democracy that has been so progressive in the work since the Armistice. The root of the evils of the isms is fostered through a development of so-called Ideologies that presumably represent the final attainment in methods of living that are aimed to attract the people.

In general, the ideologies represent, in important part, conditions of life that all right thinking people would welcome. It is due to this fact that the Ideologies have become a menace to mankind. Most of those who are attracted by certain phases of them are incompetent to see that the means suggested to the end make impossible of accomplishment, but are content to say, because it needs to be where it is in order to have military strategy available. That was one of the things that happened after those treaties went through.
trol in order to save disaster. Such strong men, however, who can justify their temporary control are not among those who see all of the rest of the world as being dis- honest and living under improper motives.

Ideologies cannot be achieved, no matter how fine they may appear to be, by mere legislation and then expect- ing the high processes of sapping and undermining the honest forces of other men who are themselves striving during their daily activities to bring about betterment in the world.

One reason why the churches of the world have lost so much ground since the war has been due to a turn from the high spiritual conceptions of the war into the condemnation by ministers of their fellow men without proper knowledge as to the right or wrong of the acts of those whom they criticize. Sermons of condemnation on this basis, which are easier to prepare and are more spectacular, are just as destructive to the spiritual leaders of the State—men who in the past have always been important to the people—to whom it may decay would be—if such persons were actually as bad as they are made to appear. It is as vitally important to the well-being of a people that their spiritual leaders keep themselves free from false criticism of other men and from inducing envy and hatreds as it is for their political leaders to do so.

The church, not having actual experience in business life but being able to see the errors of men here and there and, particularly, being subject to the statements of self-seekers who have profited by the war through the access which they have been given by their own needs, should feel duty bound through its ministers to check and recheck every process in the economic and political world that critics claim are dishonest and detrimental. This should always be done before anything of the kind is carried to the pulpit. Only when there is a turn on the part of churches to all denominations in this direction and more attention is being given to the preaching of the Gospel than to the damnation of other men, will there be sub- stantial progress toward greater happiness on the part of the people and economic and political progressions that will bring an improvement in the quality of living. Above all, not in a spirit of criticism but for purposes of better understand- ing, we must give credit to those great churchmen of our time who have held themselves above the tearing down of other men and whose influence for good has been so farreaching.

Such ministers as the true State should not be in closer touch with every enterprise that it may profit from the experience and knowledge of the State—a State that is not subject to dictation and domina- tion by organized cliques. For better understanding it might well be here to state briefly the elements of a true State by repeating the description of such a State made by the President of the International Chamber of Commerce at Copenhagen.

I want you to think about this because a very different State has been advocated in Europe in some of the coun- tries. In Italy the people are for the State and not the State for the people, and they have developed a very inter- esting series of works upon why that should be so, but let us think of the true State from the standpoint of reason:

1. The true State is the protector of the people, economically and socially.
2. True protection of the people by the State requires:
   a. That mankind be allowed to live in peace and comfort;
   b. That there be the greatest possible individual freedom consistent with safety and proper satisfaction in living in order;
   c. That the higher grade of intelligence may work for the good of the whole;
   d. That the higher grades of intelligence may not be submerged by the lower grade of intelligence with a reduction in the standard of living of all;
   e. That the incentive to the accumulation of private property, not at the expense of the State, be maintained; and
   f. That the State be used for the greater good of the people.
3. True protection requires that production needed by the people and its distribution be stimulated by encouraging private enterprise under sound governmental regulation.
4. The mentality of all men develop to their own greater efficiency and potentialities in usefulness and in the police interest it is for the State to allow the police interest in any and all the people to exercise proper initiative in their undertakings whether they may be of a national or a private nature.
5. The good of the people is better served when every man has the upper hand in living and something can be done to help provide for protection, government and growing culture, and because
6. The wealth and desires of individuals form the basis for supply and demand of goods and services that can only be measured from the extent of the contacts of men with each other and that are, therefore, not avail-

able to the consciousness of men in government who with the finest of intent can only regiment with a destruction of individual initiative which dulls intelligence, discourages happiness and lowers the quality of life.

4. True protection requires that there should not be Government opera- tion of business or industry in competition with the people—a condition which can be corrected by production and reintroduction in the national life because:
   a. Government can hide its errors in taxation at the expense of all the people;
   b. Changing regimes break continuity in the growth of efficiency through killing incentive of the workers;
   c. Politicians always secure the admiration of individual ability that under private enterprise strives for results which, when successful, make for the public good, and because:
   d. Even with the most efficient and governmental bureaus engaged in what should be private enterprise expand and grow until they become instruments which the people that are the causes of PUBLIC PROGRESS do not know how they are being furthered progress through developing a better means to live in and in furnishing economic advantages that is constructive in character;
   e. True protection requires that Government spending be confined to normal amounts required to operate the State on a sound basis and in the case of emergency, having backed and safeguarded, the power of the people to methods of expenditure aimed to restore economic order and the individual financial independence of its people as quickly as may be.

The foregoing, in a general way, represents the ultimate in the true State, as government on any other basis must lead to wars—both internal and external.

In time of war this character of government is exactly as essential in the interest of the people as in time of peace. This is true even though in time of war government must have greater freedom to meet emergencies in order that it may act promptly in case of necessity and that it may have greater power to use the resources of the people to methods of expenditure aimed to serve these ends.

Differences of opinion on the part of those in and out of government that have to do with theoretical matters must be set aside. War produces practical problems that must be solved in a practical manner. Under the functioning of a "true State" the intelligence and ability of the people can be made more effective in serving all of the people and their Government even though government temporarily has emergency powers that are essential in time of war. Such powers can exist and be effectively exercised without the necessity for government, by means of bureaucracy, to reach into the management of a country's business and industries. The problems of government, regardless of their difficulty, are complicated and multiplied when it tries to dip into the management of the enterprises of a nation through its various departments.

If, for instance, in the United States a million men should be absorbed by government in a war emergency and should be placed in positions where they had power to reach into the operations of business and industrial manage- ment, it is inevitable that the ability of experienced men to control would be lost and that of the younger of the men to carry on the affairs of the Nation. It is not, therefore, the necessity for government to be involved in the control of business, but the length of time and the extent that the control is continued.

The experience of the great World War proved this beyond any manner of doubt. Witness the millions and millions and millions of dollars that were spent by this country for airplanes and the fact that after all such expenditure, American airplanes never got into the battle areas.

This thought leads into another most important consid- eration which has to do with the receipt by Government of the money and credit of its citizens. It has been stated many times and again that Government, because of the very nature of men themselves, cannot be put in possession of huge sums of money without developing enormous waste. That Government must have in the interest of its people is a steady income under which funds reach it each year as they are needed and which must be used according to the needs and things that may be required. It is only over a period of time that production can be accomplished on a sound basis even for emergency purposes and Government does not require funds until its obligations become due. In case of war, where such funds are needed for the duration, then they can better be obtained through borrowing than through excessive taxation.

The people are better able to take something from their income for government each year under an opportunity to
BANKERS' CONVENTION

earn an income through the years than if they are called upon to pay out large sums at one time which restricts their ability to live and to help others to live.

Taxation, whether it may be intended to prevent war profits or is levied for any other purposes, that dries up the resources under which the people earn their living and develop production; increases the waste of Government and decreases the ability of a nation to give either its military forces or its civilians the greatest protection which lies within its power. Those who may be at the front in a great war have a much better chance of coming through if the finances of their country are handled without governmental waste and without disrupting industry.

Again, their morale is infinitely better and their ability to protect themselves—because of a better morale—is much greater than if they know that the finances of their country are being handled in such a manner that there can be a constant flow of war materials to them while at the same time those for whom they care at home are able to earn what they require for their own protection and something over to help government.

No right-minded person wishes to further the creation of so-called war profits at the expense of a nation, or of those who may be among the military units, but when a government kills the earning power of its people and the ability of a nation to produce for war emergency by passing laws because of fear that somebody may make a profit, it is almost criminal.

Conscription of capital in time of war, because there is conscription of men, is suicidal. They have nothing to do with each other. Men are required to fight the nation's battles, and capital is required to protect them in doing so. Capital should, therefore, be conscripted and utilized that it will give Government the greatest economic power possible to its people in order that those at the front may have needed supplies of all kinds and that those at home may live. Such conservation of capital requires that it be left with the people in order that they may use it in natural ways to earn an income for their living and for their Government.

You gentlemen are going to be faced with all kinds of tax laws aimed to do things that can destroy the power of our Government to meet the emergency that may be coming later, and you must use your most careful thought in thinking about these things and not be led away by emotion into feeling that because men are conscripted it is fair to conscript capital. It isn't a question of fairness or right; it is a question of protecting the men. If you conscript capital you destroy the power of your Nation to meet its economic problem and it is something that must not be ashamed to stand for. It will be put before you in such a way that you will be made to feel that though you want to have a sound governmental financial situation you want to do that at the expense of the men at the front. It will not be at the expense of the men at the front; it will be for their protection.

Money demands by Government that result in forced sales of property by its citizens in depreciated markets reduces the national wealth, curtails industry, causes unem-

ployment and increases the difficulty of Government in carrying on either in time of war or in time of peace.

This simple economic fact is either unknown or is temporarily forgotten when men clamor for Government to take over the wealth of its citizens in the belief that it will protect these men from criticism. It is not realized that the lives of its soldiers are put in jeopardy by such procedure and that the ability of Government to carry on its curtailed.

The condition that prevails in the United States today, under which nearly 10,000,000 persons are unemployed and the Federal budget is running huge deficits from year to year, must be corrected immediately or we will have to face a very real disaster. The great war that is now going on says to our Government and to our people in no uncertain terms that they must get together and take such action as is necessary to restore industry in the United States or we will be unable to hold our own in this world turmoil. This requires the rescinding or correction and clarification of all laws that prevent the sound functioning of private enterprise that are in existence today.

Government must ascertain from industry what laws are involved and Industry must cooperate and collaborate with Government in obtaining their amendment or elimination.

When this is accomplished and Industry is functioning soundly and efficiently a large proportion will be absorbed, thereby decreasing the expenditure of the Government, greater profits will be available that will increase Government income on reduced taxation and the United States will be able to balance its budget and move into position to meet any emergency that may befal it.

We must realize that this is a very serious situation that is going on in the world, and that we are not as far from it as we may think. We must put our hours in order. We must be willing to do what is necessary to put our house in order, and it is simple to do it if we are willing to demand that laws that prevent the functioning of industry on a sound basis are corrected.

The Intelligence of the whole Nation must be applied immediately to this great problem. Those in Government cannot do it alone. Neither can those out of Government do it alone. Government and the people must attack the problem together and in full accord as to purpose. Dictatorial methods by Government will not uncover intelligence which in this crisis is essential to success. Unruly opposition to Government by the people, if Government is willing to do the part, would be ruinous, and it is inconceivable that it can prevail.

It is the duty of Government and of the people to find the way to economic stability. They can only find it by working together faithfully and in confidence. This must be done. The solution of our problems will help the world. It will bring about a greater, more stable peace as it may seem.

When we have found the way to economic stability we will at the same time uncover the best means to prevent a false peace as the aftermath of the horrible war now in progress.

Our minds, our hearts and our souls must strive for understanding.

Our destiny will be as our faith determines.
SAVINGS DIVISION

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before we can go ahead with the savings business. This Committee has been fortunate in having as its Chairman, Stuart C. Fraizer, Vice-President, Washington Bank and Trust Company. It has been the good fortune of this Committee this year to have been able to assist, by means of a brief tour of inspection of branch banks, in obtaining new evidence of the extent of the loan business being done in the various banks. This tour has been of the greatest value, and the information obtained has made it possible to make a comprehensive report of the loans being done in the various banks, and to present evidence of the extent of the loan business being done in the various banks.

In regard to the method of computing interest, this study, as might be expected, has shown a great variance in practice, and therefore in the rates charged. The report of the Committee indicates that in some cases the rates charged for loans are as high as 15% per annum, while in other cases they are as low as 5%. The rates charged for savings are also very variable, ranging from 3% to 8% per annum. The Committee found that in some cases the rates charged are based on the amount of the loan, while in other cases they are based on the term of the loan.

The results of the labor of the Committee, as I stated before, will be made available to member banks which desire it.

Another matter of very great interest is the work done by the Committee on Real Estate Mortgages under Chairman Russell M. Daane, Executive Vice-President, National City Bank of New York. The particular studies embraced uniform mortgage law and uniform mortgage forms, and the Committee recommends that such laws and forms be adopted by all states. The Committee recommends that the adoption of uniform laws and forms will facilitate the transfer of properties and will promote the interests of all concerned.

The work of the Committee on Banking and Currency under Chairman Robert W. Sparks, Assistant Vice-President, Union Bank and Trust Company of Chicago, was completed. The Committee's report indicates that the recent changes in the monetary system have caused a great deal of confusion and uncertainty among the public. The Committee recommends that the Federal Reserve System be strengthened so as to provide a more stable monetary system and to protect the public from the effects of fluctuations in the money supply.

The work of the Committee on National Banks under Chairman William H. Miller, President, First National Bank of Chicago, was completed. The Committee's report indicates that the recent changes in the banking laws have caused a great deal of confusion and uncertainty among the public. The Committee recommends that the Banking Act be amended so as to provide a more stable monetary system and to protect the public from the effects of fluctuations in the money supply.
Currency Committee, House of Representatives and dated June 7, 1939. Mr. Eccles says in part:

"The proposed bill contains a number of provisions leading to these ends and in my opinion its enactment would tend to establish a separate and complete banking system which would compete on favored terms with savings banks and the savings departments of commercial banks. Therefore, do you favor its enactment?"

So says Mr. Eccles. So says the Savings Division of the American Bankers Association.

Report of Committee on Nominations
President Williams: I should like to call for the report of the Nominating Committee. We have changed the order of procedure somewhat, in this respect—we thought that it was fair and a beneficial thing as far as the Association was concerned to give some time and thought to the nominations, and the Nominating Committee, therefore, selected weeks ago, so that the names they bring in will be names that have been thoroughly considered. I should like to ask Charles Deppe of Cincinnati to present the report of the Nominating Committee.

Mr. Deppe: Your Nominating Committee proposes the following candidates for the various offices:

For President—A. George Gilman, President Maiden Savings Bank, Maiden, Mass.

For Vice-President—Roy R. Marquardt, Assistant Vice-President First National Bank, Chicago, Ill.

For the Executive Committee:
Two-year term—W. R. Eason, President Valley National Bank, Phoenix, Ariz.

Charles F. Chubb, President Dallas Savings Bank, Pittsburgh, Pa.

Vice-President—Roy R. Marquardt, Assistant Vice-President First National Bank, Chicago, Ill.

Mr. President, I move that the nominations be closed and that the Secretary be instructed to cast the ballots for the candidate named. [The motion was seconded.] President Williams: Are there any remarks? Are any other nominations? If not, all in favor of the motion signify by saying "aye"; against, it seems to be unanimous, and, Mr. Secretary, you are instructed to cast the ballots.

Secretary Abbe: The ballot is cast. President Williams: The ballot is cast, and now we have some new offices. I might say some of those names that were mentioned were men who, for some reason or other, had just been given a one-year term. There will be no installation for them. They have just had two years added to their term to make it complete. Some of the other men who have been elected are not here. You know conditions that have kept a number away from this convention, and, as far as we were concerned, they were not notified that they were to receive this office because you never know, something might slip. So the only new member of the Executive Council to be installed is Mr. Lawrence.

TRUST DIVISION
AMERICAN BANKERS ASSOCIATION

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Meeting for Elections Only

The Trust Division of the American Bankers Association convened at the Olympic Hotel, Seattle, Wash., at 1:00 p.m., Sept. 25. Samuel C. Waugh, President, presiding. There were no addresses, the business before the meeting being that of the nomination and election of officers.

Roland E. Clark, Vice-President of the National Bank of Commerce, Portland, Mo., was elected President of the Division; Carl W. Fenninger, Vice-President of the Provident Trust Co., Philadelphia, Pa., was elected Vice-President of the Division.

The following seven men were elected to membership in the Executive Committee of the Trust Division:

Richard G. Stockton, Vice-President, Wachovia Bank & Trust Co., Winston-Salem, N. C.

Louis S. Hoadley, Vice-President, First Trust Co., St. Paul, Minn.


A. Y. Goddard, Vice-President and Trust Officer, The Pacific National Bank, Seattle, Wash.

James C. Shelor, Trust Officer, Trust Co. of Georgia, Atlanta, Ga.

Henry A. Thoai, Vice-President, Guaranty Trust Co., New York, N. Y.

Joseph W. White, Trust Officer, Mercantile-Commerce Bank & Trust Co., St. Louis, Mo.
Advantages of Bank Research Program in Association Plans

By DON E. WARRICK, Secretary

In 1937 our President, Mr. Enlow, decided, with all the research going on in the country, it might be wise for us to undertake some research in Indiana, and he appointed a committee and outlined a program. Just told them he wanted to do some research. Bob Meyer was delegated by Mr. Enlow to undertake that as Chairman, and after some study the committee concluded that an investigation of what had happened in the last 20 years of banking in Indiana, and we secured the services of the School of Business of the Indiana University who did the fact-finding for us. It entailed some expense, some $500 or $600. They had to go to St. Louis and Chicago, and maybe a trip to Washington, and gather some factual information, and then they prepared the information and did the journalistic work, and our committee, in cooperation with them, edited it.

That was the first part of the report. The second part had to do with merchandising bank services. We recommended it as to the service charges and try intelligently to sell the service departments of our banks to the Indiana public.

The next year the committee decided to make an examination of the assets structure of our Indiana banks because they had noted in the 1937 report such a transition in the assets structure of the banks which I guess was typical of the Nation, where, back several years ago very few of the banks had what might be called investment portfolio. And then we noticed the days when bank examiners were advising the banks what they were needing was secondary reserves, so they made an examination of the earning assets of our Indiana banks, touching upon loans and discounts, and they dealt with the new personal loan departments and consumer credit pictures that was coming to Indiana, the Bankers' Bond Act, analyzing the bonds, commenting upon the bond policies as to market¬ability, maturity, distribution, reliability and liquidity.

Of course, we have in Indiana a system whereby our bank examining department in our State take a bond account of the State bank and keeps it, that is the office of the Secretary of State and they have a staff there, supervised by some members of the faculty of the School of Business, analysis of bond accounts as to marketability, diversification, reliability, and then they send this analysis with their comments back to the banking department, and the banking department, in turn, turns that over to the banks and in many instances Indiana got the idea from Minneapolis. Some of the same people who do that for the Department of Financial Institutions in Indiana did our work in that particular project on bonds.

Then the next year—all of you have seen these booklets, I think—we sent them to every State association. The next year it was decided that we would undertake an examination of bank personnel, that is the last project we have completed. That was also done by the School of Business of the Indiana University, job analysis, specifications, salaries, financial incentives and non-financial incentives, working hours and conditions, and we here quite in the form for the work of the working hours for employees, and hours by which the employees might work in the light of the current Wages and Hours Legislation.

We have felt in Indiana, I believe, that the majors of banks have felt that the effort and money expended has been well worth it. It is hard to prove that tangible but we have had a lot of comment on the service as fine educational medium in the banks in some of the elementary as well as the more advanced principles of banking, and we think, all in all, that we have been repaid. I think the committee would not expect us something like $1,500, including what we donated to the School of Business to defray their expenses, clerical help, etc., in printing these books. This was more expensive (indicating) because it is thicker.

We ran into a very interesting situation in this last project. We had on the faculty from the School of Business some of those gentlemen who are sometimes referred to as 'rather liberal in their thinking,' and they wrote a chapter (this was quite an honor) upon 'Labor Unions in Banking.' I think there were four or five of them in on it. They took the attitude it was coming, couldn't be stopped, and the only wise and constructive and intelligent course for us to pursue was to recognize its coming and deal with it accordingly, and they were very much disappointed that our committee really did not impose quite a bit of pressure, to incorporate that chapter in our book.

I believe that is all. That gives you a little eye picture of our work in Indiana.

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STATE SECRETARIES SECTION

American Bankers Association

Annual Meeting Held at Seattle, Wash., Sept. 25, 1939

Indianapolis Bankers Association

At the risk of seeming to begin by wandoring from my subject, there is one factor in Association work that presents to demand our most studious application. This is the multiplication of meetings. So many lives to himself alone, and State Secretaries, in particular, are finding their duties spread over constantly increasing areas. They do not, in fact, cover every unit or subdivision of the earth's surface from a county to a continent.

In the old days when a Secretary's domain stretched at the boundaries of his own State, he led the simple life. Since the advent of the thrilling '30's banking has become rapidly more and more complex. The interests of our members have led us into a variety of new fields of interest. Each of these segments or tangents of the banking circle requires the Secretary to possess an accurate working knowledge of its foundations, its operation, its overlapping and its dovetailing with other segment it touches or concerns.

Typical of these segments and tangents of the banking circle that impose new demands on thinking and investigation upon which we spoke on the part of the State Secretaries are such agencies as:

The Federal Reserve Insurance Corporation
The Federal Reserve System
The Federal Reserve Bank
The National Association of State Banks Supervisors
The National Bankers Association
The National Bankers Conference
The Commodity Credit Corporation
The Federal Labor Relations Board
The Commodity Exchange
The Council of Industrial Organizations
The Securities and Exchanges Commission
The Code of Fair Credit Practice
The Federal Savings and Loan Association
Local Security
Ex teras and ex nitium
Your memory may supply others I cannot think to name. But certainly every name in the catalog I have listed is an extra string to your bow.

No Secretary can keep up with a single one of these, let alone many, and modern life, you know, has not been the tower of Babel by merely reading something out of a book. You have not only got to read a whole library, you have got to master every facet of the banking mind, every interpretation and angle of thought, and then through the maze you have got to steer a straight course. You have got to be true not alone to your Association as a whole, you have got to be true to every single member; not minus one, but 100%. To make a success of the job requires as delicate a balance as a high wire walker, and your only safe balancing-pole is your daily contact with the banking fraternity. This may be an interview with an individual, a conference with a committee, a hearing in the halls of Congress, a con¬vention of bank examiners, or what have you.

Then right under our own umbrellas we have national conventions, the nation-wide Graduate School of Banking, regional conventions, our study conferences, the state by state meetings, local division meetings, and all these conferences of various types are taking place in all the country.

We are literally meeting ourselves to death, yet every one of these meetings has a definite purpose and a logical and useful destination. There is a question that, that does not have a positive advantage from each of these meetings. The Secretary says grace over them all. There is still a certain overlapping that has a tendency to demand at the least in one way or another less all of these three meetings. By way of illustration, it is impossible for a small bank to attend all of the meetings in which it has a natural interest. The highly departmentalized bank can solve the riddle by sending different men to different meetings. That is the reason I am throwing in the ring. I don't pretend to know the answer. It demands our best thought, the simplification and sys¬tematization of the whole membership. That is no easy task in its most general sense. Some day some new Daniel will rise up who is smart enough to work it out. It is a strange evolution of our membership and the closer our application to its study the faster this process of evolution will be speeded up.
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It is my very definite conviction that the average Secretary needs not be an all-year program, but a year with about twice the usual number of months so that everything he has to do can be spread out into it. At the same time I want to avoid emphasizing the so-called extracurricular activities to the injury of established routine. Each association must possess a variety of appetites to a diversified membership. Each association has a well-rounded committee organization. The sequence of its functions is not so important as it is to lay out a consecutive and systematic program plan and to follow it, though the order may fall. You have one year that begins with the calendar, another year that begins or ends with your annual convention, and a fiscal year that is marked by the collection of membership dues. There is no uniformity in the turn of the latter two annual periods, so in 49 different associations we naturally follow 49 different or modified sequences.

You have one set of members who figure they get their money’s worth if their program clicks; another set of members groups your usefulness by the character and success of your efforts to enact beneficial laws and defeat injurious legislation; another set puts the load point on the association’s leadership for concert of action in service charge enforcement and the spread of correct bank management rules and principles; another set is chiefly concerned with the promotion of uniform practice among banks exercising trust powers; the younger generation is best served by a militant A. B. A. committee; the public relations program from the association viewpoint is enlisted an increasing number of disciples, and busy members are wrapped up in the success of the annual convention, or the bank study conference, or of their respective group meeting.

The Skyline actually bristles with opportunities for useful service. The desired result can never be obtained by the blundering blows of a blind giant. The important thing is the system. Set up a definite schedule for the work program and synchronize your convention year, your fiscal year, and your calendar year, so that each will keep step with the other. Combine with the activities I have mentioned many others that I have omitted for sake of brevity, and you will find yourself in possession of an all-year program, an every-month, every-week, everyday program combining the greatest usefulness to your members with the greatest satisfaction to yourselves—a good job well done.

Need of Co-Ordination of Bank Regulations

By CHARLES F. ZIMMERMANN, Secretary Pennsylvania Bankers Association

Mr. Chairman, perhaps I might refer to something that would be of use to some of the Secretaries here under the head of New Business, by offering a suggestion regarding a project we have taken on in Pennsyl-

vania.

We have been in as President of the Pennsylvania Bankers Associa-
tion a very live, courageus country banker. He has made it his business to understand the workings of a large bank throughout Pennsylvania.

As the result of that visitation he has been sold on the idea that the ground rules for the operation of a smaller bank throughout Pennsylvania... send in to a committee, information that has to do with the handicaps placed upon the ordinary smaller bank and how to delete those barriers. This, in effect, is the result of supervisory policies resulting from Federal regulations.

We have been a body of legislation that has been imposed upon the business of banks, and much of the work of the Board of Governors is devoted to the straightening out of a bank. . . . The result of all this is that as far as the President of our Association and the Governor in charge of the Deposit Insurance Division is concerned, we very strongly urge that the Governor place a report to a committee to render a service to the smaller banks in our State in their defense.

My observation doesn’t refer to the Comptroller’s office or to the Federal Deposit Insurance Corporation or to the Federal Reserve Board. My criticism is against the system as a whole which needs coordination and straightening out, and it can be done if the practical bankers of America would see the light.

Under a Senate resolution, for the first time in a decade the small banks of this Nation have an opportunity to be heard in their defense, because Senator Wagner has promised that he will permit the small banks of Tus to be recognized in the Senate hearings, and so we believe that is a real opportunity. Mr. Z. has referred to a great deal of the small bankers in your State I think you would find you could do a very, very significant job in Pennsylvania.

Please don’t get the idea the Pennsylvania Bankers Association wants to find any place in the sun in respect to Federal Legislation. We are not the only ones wanting a chance. I think the Deposit Insurance Division of the A. B. A. and through the Legislative Committee of the A. B. A. and through the executive offices of the Research Council, we can put two and two together and help one do a job for the good of the independent unit banking system of this Nation.

COMMITTEE OF OFFICERS’ REPORTS—STATE SECRETARIES SECTION

Remarks of James E. Baum, Secretary of A. B. A. Insurance Committee

Only a week or so before we left New York we had our annual conference with the National Bureau of Casualty Insurance Underwriters, regarding rate reductions, on bank burglary and robbery insurance. Briefly, if we use the same formula that the Underwriters’ National Bureau has used for more than 20 years, the smaller banks of this country, at least five or six thousand of them, may be, are entitled to another reduction in burglary and robbery rates, approximate 25%. The Bureau has come forward with the plan that the premium income has dropped so much in recent years as to make the total of 500 odd thousand dollars too small for the reinsurance purpose; that, too, small a base for clipping off a reduction here and there, and I submit our whole argument with them a few weeks ago was based on their own formula which, as I said, has been used for more than 20 years, namely, 25% base, plus log 25% of each dollar going back to the banks in loss, based on five years’ past experience, as a basis for the formula. The Bureau has announced that the use burglary and robbery, with payroll as a primary, are entitled to 25% reduction as a result of that.

I doubt, however, if we can get that, unless we can coerce the insurance departments of some 45 States into action, by your State associations’ presents.

I am speaking about it now simply to emphasize the importance of it. In this meeting, and if I may, I will follow it up with an explanatory letter with figures, premiums and losses and whatnot in a few weeks, and I do hope you will get busy with your insurance commissioner and let him know this is the Underwriters’ original formula you are talking about.

The same Bureau has taken the same approach, that is, the insurance departments in your States, namely to get your insurance commissioner (and there are about 20 of them that need some inspiration on this) to limit upon the new fire insurance policy, the new 1939 form that was approved by their own National Association of Insurance Commissioners in San Francisco last June. I don’t think it is possible to exaggerate the importance of this fire policy. We have some idea how important the insurance is on property. There are so many kinds the banks loan on, or own; in many cases the fire insurance contract is the last bulwark for collateral and I can stand here an hour and a half and cover the whole, the loss of the three forms used in this country the last 10, 15, 20, 25 years—fire insurance, only.

Briefly—there were two different New York forms in use in about 20 States, 15 States, and then in the other 13 States a so-called “Massa-

chusetts” form has been used which... Now, this is of great importance not only to the banks but to their multi-

tude of customers, who aren’t borrowing on property. You can help them immensely by inducing upon the Insurance Department of your State forcing the adoption of that new 1939 form, which, briefly, does this:

It brings up to date the three forms which, as I said, are already antiques. One of them, for example, the new New York form, so-called, was written in 1915, and the old New York form is about 35 years old, the Massachusetts form is about 40 years old, and each one of those forms, in order to make them conform with up-to-date conditions as nearly as they can, are poked with all kinds of amendments, any one of which might be adopted.

If they have as all the amendments on them, a loss which occur might be covered but which would not be covered if the amendment had been those that currently are against this new policy, and that accounts, perhaps, for the close vote which was tabulated here in San Francisco, when the commissioners voted 10 to 11 in favor of the new form.

There are very few States that have really come out openly against and the form of the new one of the 13 States that have not taken it, but when you get your letter in a few weeks, I do hope you will find time to work up a similar letter on the differences between the old forms and the new forms, even through they have amendments. There are a lot of advantages on the new forms not on the old forms. They will be a great service not only to your bank but to the bank’s customers throughout the country.

Report of Committee on Nominations— Newly Elected Officers

C. C. Wattam, Fargo, N. D., Secretary of the North Dakota Bankers Association, was elected President of the State Secretaries Section of the American Bankers Association at the Section’s annual meeting, Sept. 35.

L. B. Richardson, Denver, Colo., Secretary of the Colorado Bankers Asso-

ciation, was elected First Vice-President, and Armit H. Coates, Moore-

town, N. J., Secretary of the New Jersey Bankers Association, was elected Second Vice-President.

William Dunne Jr., Minneapolis, Minn., and Lander Hodges, San

francisco, Calif., Secretaries of the Minnesota and California Bankers Associations, respectively, were elected to the Board of Control.

http://fraser.stlouisfed.org
CONTROL OF INTERNAL OPERATIONS AND EARNINGS

Three talks were given under this head, by respectively, J. L. Dart, R. C. Taft and K. C. Bell.

Expense Control for Better Earnings

By J. L. Dart, Vice-President Florida National Bank, Jacksonville, Fla.

There is an unqualified certainty in the meaning of the subjects I have been called to discuss today that is pleasant and quite refreshing. We need not concern ourselves with a variety of possible meanings, interpretations, or translations. The subjects are clear, as they stand before us, and do not need the least bit of interpretation, but are all that is necessary to our efficient earnings." It does not say or imply that possibly we could have better earnings if we controlled our expenses. Our expense, however, is a direct and positive statement, meaning that one thing is simply this, we can improve and increase our earnings by controlling our expenses. I am sure every one of you has heard it once before and more than once. The people that I am talking to tonight, I will tell you what many expenses are available, and the money that you save that means success. Underlying a considerable portion of my remarks today will be the proposition that if we could not establish the spending of money moderately, foolishly, or unwisely, in other words, one approach, probably the most important one, will be upon the principal that for every dollar we save, the more the money we have in our pocket, the more is our true value, is one dollar is worth, in value.

This proposition, is all that is need be here to-day that not a person present here today would object to learning how he might increase his bank's undivided profit account without augmenting its income by a single penny. I am quite sure I should not object to receiving such information, and I am not, please bear me in mind for a moment that I know the absolute and unbounded answer to that problem.

I have the good fortune to be connected with a splendid bank, located quite some distance from Seattle, in Jacksonville, Fla., which has had during the past two years average deposits of $35,000,000 in round figures. Compared to many banks in the country the one with which I am connected is a small bank and this, together with the fact that my experience in that bank dates back to the time when its deposits were $30 million, makes it possible for me to counsel with those from that great majority of banking institutions throughout the country, in the final analysis the backbone of our American banking system, the small banks.

In my sincere hope that some of the things portion of this subject to which I shall discuss today, ideas that have taught me well worth selecting the expression of the appearance of the book which you purchase, there is, with the results that after consideration and serious thought they will probably be able to make a better impression on me than I am able to make at the secretarial position. In the secretarial position, in the secretarial section of the American Banking system, the small banks.

But, my sincere hope that some of the things portion of this subject to which I shall discuss today, ideas that have taught me well worth selecting the expression of the appearance of the book which you purchase, there is, with the results that after consideration and serious thought they will probably be able to make a better impression on me than I am able to make at the secretarial position. In the secretarial position, in the secretarial section of the American Banking system, the small banks.

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A matter that should be carefully noted is the question of the efficiency of your routine operations. Does the work flow through your bank in an orderly and systematic manner? Are your cash transactions and time to complete a transaction quite comparable. A stable crew is necessary to keep the work flowing in the best manner. If the employees are not always on hand, it is necessary to keep this in mind. For example, it is possible that an additional person may be needed to keep the work flowing smoothly.

Another procedure that must be noted is the way in which the numbers are received. In the last two weeks of the month, the usual way of doing this is to prepare the accounts, and then, having a setup to balance the profit and loss statement, prepare the balances for the two weeks. The numbers should be received over our counters until noon, and the other transactions should be completed. The amount of time it takes to complete this task varies according to the volume of deposits received at our counter bank, but usually the amount of time it takes to complete the task is about two hours. The amount of time it takes to complete the task depends on the volume of deposit transactions that are received during the month.

If you have any questions or comments, please feel free to contact me. I would be happy to discuss any issues that you may have.

Chairman Dean: I know Mr. Dart must have stimulated you to make some improvements in your operations, and I am delighted to hear that your bank is now receiving deposits with greater efficiency. This is a matter that is of great importance to us all. We are always striving to improve our service to you, and I am glad to hear that you are making progress in this area.

Mr. Dart: I am glad to hear that you are making progress in this area. I am confident that we will continue to make improvements in our operations, and I am confident that we will be able to provide you with the best service possible.

Chairman Dean: Thank you for your comments, Mr. Dart. I am confident that you will continue to make improvements in your operations, and I am confident that you will be able to provide us with the best service possible.
Assignment of Life Insurance Policies as Collateral Security

BY ROBERT C. TAFT, Assistant Trust Officer

The big increase in the use of life insurance policies for credit purposes casts a new light on the question of the extent to which existing loans may be withdrawn if the insured policy be assigned. Where such an assignment is made, the proceeds of such assignment may be used to secure money or credit under various conditions of the insures and the insurer, the right to the proceeds of policies depends, to a considerable extent, upon the law of the state in which the assignment is made. Cases of this sort are constantly coming to our attention and have been the subject of discussion at our annual conference and at numerous meetings of the insurance commissioners of various States.

The law of the state in which the assignment is made is of great importance, and it is true that in some states an assignment of life insurance policies as collateral may be made without the consent of the insured. In such states the insurance company is subject to liability upon the policies in the same manner as if the policies were owned by its insured. In other states, however, the law is more stringent and a person cannot sell his life insurance policies without the consent of the insured. In such states the insurance company is subject to liability upon the policies only if the insured consents to the assignment.

The general practice of the insurance companies in making assignments is to follow the law of the state in which the assignment is made. This is true even when the assignment is made in a state where the law permits the assignment without the consent of the insured. This is because the insurance company wants to avoid the possibility of liability upon the policies if the insured should not consent to the assignment.

In assigning life insurance policies as collateral, the insurance company usually agrees to hold the proceeds of the assignment as security for the debt of the assignor. The insurance company may also agree to pay the proceeds of the assignment to the assignor if the assignor defaults in the payment of the debt. The insurance company may also agree to pay the proceeds of the assignment to the assignee if the assignee defaults in the payment of the debt.

It is important to note that the insurance company is not liable for the proceeds of the assignment if the insured does not consent to the assignment. This is because the insurance company is not liable for the proceeds of the assignment if the insured does not consent to the assignment.

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BANKERS' CONVENTION

These points. We haven't time to discuss them all now, but you may wish to consider some of them in the discussion period.

J. M. Petrikin (Greentown, Col.): I wonder if some of the other banks have had the experience I have had, and what the practice of the insurance companies have been. Mr. Tait has mentioned several factors that do in the insurance company have, and I think it arises, including that of the bank as trustee-beneficiary under an insurance policy.

In conclusion I should like to express publicly my thanks to Hal Storier and The Graduate Bank of Banking, without which I would probably never have heard of this class of subject, and certainly would never have written anything on it.

Dissensions Following Address of Mr. Tait

Chairman Doane: Well, gentlemen, you are now ready to take at this

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Mr. Gibs: I had an interesting experience in making an insurance loan to a man prominent in the utility field in Connecticut. His policy covered all funds out of the safe and vaults of his bank, and he told me he had it in order to take it up with his company. He said he had a perfect right to pledge the cash on hand and to pledge the vaults and safe, and further reluctantly they did consent, but only after they found out in pretty strong terms.

Mr. Tant: We have evidence on his part, which is what he does in a normal assignment. He simply supplemented the assignment by a letter to the bank, which letter was the same letter that the owner. I won't attempt to read this now because it is a pretty long and assault-resisting document, and it takes care of that pretty clearly, providing the companies comply.

Mr. Gibs: I know we don't want to get into detailed discussion, but I have brought up this point because I think that the loss of bank funds by insurance policies are vital to banks—and it can be argued that it can be almost as disastrous to any bank as a bank failure. In times of loss, insurance policies are absolute and complete, and there are no adequate substitute. Often these policies are written for the banks, so that in case of need, in case of our customer disappearing or becoming unhappy with the bank, we can liquidate our note just as we do on any other type of collateral. It is a primary asset for any bank.

Mr. Tant: Of course this committee of the A. R. B. headed by Mr. Whitehead. This committee provided the discussion that it up was decided to put them in pretty strong terms.

Mr. Gibs: I think we ought to pursue it, and I think it is important enough that we take the time to get our full meaning and to make it and more steadily forth and arrive at some satisfactory conclusion.

Mr. Tant: Of this committee the A. R. B. A. headed by Mr. Whitehead. This committee provided the discussion that it up was decided to put them in pretty strong terms.
BANKERS' CONVENTION

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of the premises may also be to bring to light certain actual existing fire hazards which have not yet been reduced, and which therefore is a real loss prevention. We should give constant thought to possibilities of this sort in the planning of future construction.

So far, of the types of insurance which have been mentioned has been a form of fire insurance, which is the most important of all the intrinsic, or fire-prevention, policies and of public liability coverage, which applies also to true properties. Now, let us look at a type of social sciences in customer insurance in which we can be interested.

For the first example, let us take depositors' forgery insurance. While such a form of insurance is most certainly of limited utility for the risks of our de-

positions, it nevertheless has a real value for them, and so for the bank is concerned. Since the存取 is already paid for, there is very little doubt, if the

known, the standards of depositors' forgery bonds undertake to protect the bank from loss in case the customer produces a forged check. Such coverage can therefore be looked upon as anti-forgery insurance. It is designed to eliminate any direct cause of action between the customer and the bank, for it provides the means of paying the loss of property is often stressed by the companies.

As many of you know, the use of mechanically signed checks is growing among our larger business organizations because of the internal economy which it brings. For the present time, the only types of mechanical insur-

antly signed checks are exceedingly dangerous because there is no possibility of destruction of the check itself. However, such a method, as a very important and effective means of loss prevention for our banks, I suggest that we should require depositors' forgery insurance from all de-

positions who use no other means of check authenticity. In addition to the requirement from them indemnity agreements in the form of resolutions adopted by their boards of directors which we relieve the bank of all liability for the failure of payment of forged checks bearing facsimile signatures resembling the authorized one, a protection can be as important to the bank as the mechanical resolu-
tions are already required by the banks in several metropolitan communities. Therefore, I believe that depositors' forgery

insurance is also important, if the banks are not to assume an entirely unfair burden in favoring facsimile signature checks. I can see no objection to a bank requiring the same protection from someone, just as is done under those customer's policies, since the bank also indemnified, if the depositors are otherwise furnished the bank the same security under the claim. And, as one of the most effective means for preventing pre-arranged forgery schemes, we require the bank of every size for the present of return executed of cancelled vouchers, even a daily return. If possible, the 

other, the more difficult.

Then there are instances occurring occasionally at the larger city banks at least, where special transportation of securities in large blocks must be handled in an economical and efficient manner under unusual circumstances. Often it may be possible to arrange for specific transit police protection for the credit department of the bank at the customer's expense. Such an arrangement exempt the bank's own blanket bonds or transit police from the policy of the banks, it is not a premium if losses should occur. It is exceedingly difficult and probably impossible to collect from a customer the loss of the bank for the bank's own expense of transit police a willing to pay at the outset the pre-

mum cost of specific insurance arranged by the bank for his particular protection.

In the trust field, banks have for some time been accustomed to the use of the transit policy, or transit liability as it is more commonly known, as insurance foriris or mortgage-backed securities. These standard clauses are also used in the case of individual mortgagors, if the bank retains the property of the mortgage for investment purposes. Most customers or, as they have been known, to the insurance of which is beyond the mortgagee's control and which might create adverse consequences for the non-existence of the protection. Under certain circumstances this clause of the mortgage bond may be included in that which is released by the bank, or the bank itself. The former is under the customer's requirements and the latter is under the bank's own policy, effecting a check-up on the standing of the company should be the first step in arrange-

arranging any insurance for the bank.

As a final point—although it is important enough to have been stressed at the outset—let me urge upon you the centrifugalization of insurance supervision. It is a well known fact that the insurance policies of our banks are multiplying daily. Even centralized supervision proper prevents any kind of uniformity are not to achieve. The basis for a check-up on the standing of the company should be the first step in arrange-

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As a possible starting point, advantage might be taken of an insurance survey, our statement of insurance, such as was recently released by the National Association of Credit Men for bank use. Of course, no more listing of coverage has a great deal of significance unless there be coupled with it a knowledge of the viewpoints that have been taken over the years. I might furthermore, an understanding of the insurable hazards and exposures of the customer's business. This might, I think, be a useful starting point for us if we should, in the past, possibly to the point of analyzing and commenting upon specific policies that have been written, the principles involved in the writing of the policies, our banks must avoid setting themselves up as insurance counsel and they should not in that regard invade the field of company representatives, agents and brokers. This is a subject which has to do with the insurance arrangements of our customers as to their insurance arrangements unless we have a direct insurance-interest in the business. In this regard insurance coverage which the bank provides, the customer, to the customer's business can be very real incidental.

Whether dealing with its own insurance, or with its customer's insurance, a bank takes such an attitude of cooperation and participation, the more important the customer, the more involved the bank, and the more extensive is the exposure. For the sake of providing less indemnity, of any insurance cover-

age, we are asking and the amount for which it is available, we must be careful and it should be so further gone. There are many ways in addition to the few hinted at in this frame that we may consider the subject to which we have referred. Surveys of hazards or exposure, and analyses of rates and forms can be skillfully made, and thus assure the bank, in fact, that an insurance policy might not be so attractive for the customer or the bank's protection. From either approach, unsatisfactory policy limitations or omission of coverage can frequently be removed for the asking—well, maybe a persistent way will be to make sure that we conduct the underwriting in such a way, that from the standpoint, can be readily incidental.

So, in conclusion, let me re-emphasize the particular situation to be covered may be and whether it be bank or customer risks that are involved, you may find in future considerations of insurance problems by our regulations, the ease of obtaining an insurance that is not better than what the customer's interest, and that is improving. We may about just what kind of a system we are going to live under when this is all said, what we have been doing, and what we hope to achieve.

Remarks of W. Laird Dean, Presiding as Chairman

W. Laird Dean, President of the Merchants National Bank, Topika, Kan., spoke as follows in opening the session:

"In the last major or the general session of the American Bankers Association, I think it proper to mention that we have been very much concerned about the force of social reform, that in the judgment of many has been a mighty influence in the history of America. At the beginning of the nineteenth century these forces have been immensely multiplied in the last few years, since across the water the nations of Europe are again at war to try to find out just what "that which was supposed to be kept within the family for future generations of a quarter of a century. All of these worries about social reform; all of the worries about the United States in the last century, as it always happens, we are now very 

worried about just what kind of a system we are going to live under when this is all said, what we have been doing, and what we hope to achieve.

The theme of the American Bankers Association, I think the theme of our discussion here this afternoon, namely, "Loss Prevention of All Kind in Banking."
Investment Problems Confronting Trust and Savings Departments Today

By O. Paul Decker, Vice-President American National Bank & Trust Co., Chicago, Ill.

In the period addressed to this address, it is possible only to suggest the wide variety of investment problems confronting trust and savings departments. The writer has not attempted to present a series of problems that have always confronted both departments. In the case of the banks, however, he has attempted to present an outline, for the likes of the beneficiary of a trust as the same time that proper security is provided for the assets of the trust in order that the trustee may deliver or to the remainder- man at the maturity. In the earlier period properly original paper, the savings department the problem is one of earning a sufficient sum to pay expenses and to pay an adequate interest return to depositors, while at the same time maintaining the necessary liquidity of assets to provide withdrawals and the necessary quality of service.

In one case the technical selection of the investments has become increasingly difficult as the legal safeguards or controls surrounding management have increased, as the political, business and monetary background of invest- ment has become more confused, and as there has been, in some cases, a relative inability to earn a true function should be. It will therefore be the purpose of this paper to suggest a few of these difficulties and to indicate what improvements have been made.

Specific Investment Problems Facing Trust Departments Today

The primary investment problem—mortality the major problem of investment policy that has had to be faced by a trustee in recent year—has been the problem of whether it was desirable or wise in seeking for income the beneficiary only as many dollars of income each year as the corpus of the trust will provide, upon which to invest in relatively low yield securities and whether it was the trustee’s duty to protect the remainder- man at the maturity of the trust the same number of dollars as the original prayers. It has been an important problem whether to provide in so far as a human judgment would permit, the purchasing power of both the income and the capital of the trust rather than the income of both the income beneficiary and the remainderman. Particularly this problem has been important as to selection of investments in the case of a trustee operating under an agreement that grants it full discretion and does not in any manner confine its investment operation to the usual general security of trust investments.

Surveys have disclosed many methods being used to solve this problem. These have been the result of the logical processes by which, in all honesty, deny that this duty is a part of the trustee’s obligation—deny this duty to the income beneficiary. The trustee may also do as many dollars of principal incurred in his care—to those who suggest that this problem was a simple question of setting aside a certain number of dollars as a method of protection the suggestion that a given portion (in some cases as much as 80%) of the corpus of a trust be invested in common stocks. On the other hand, the question revolved about the principle that in order to obtain a ric rate of return—a rate of return equivalent only to pure interest on capital in order—there can be an argument that the further the point of the obtaining a negligible return of a return a trustee’s duty requires it to the beneficiary. It may appear to be no agreement or it has developed even a common ground of agreement. The problem is too new as yet for standards of what constitute good trust investment management.

Historical precedents seem to be of little value in solving this problem.

Only in recent years, certainly in the last decade, have the market commercial securities, both governmental and corporate, reached a high in gold and hence free their economic equities from a relatively stable price level; and to turn universally to the use of a managed currency, a currency managed in some cases for the express purpose of reducing the burden of debt, to the use of a new theory of monetary policy, a theory of investment for trust funds will appear in the law as a result of this new economic. Trust funds have been appearing in the legislation of the latest quarter of the 19th century was not a period of stable prices even though currencies were tied to gold, the fact that they are no longer tied to gold marks the possibilities of instability in the future much greater.

It is interesting to anyone reading recent literature on trust investments to find that common stocks have generally been assumed to be the proper investment for a trustee to use if he wishes to obtain a hedge against changes in the purchasing power of the income and corpus of a trust. Only very occasionally are other hedges, such as investments in commodities or real estate, discussed. This is unfortunate, for it may mean that this hedge, which in all honesty, deny that this duty is a part of the trustee’s obligation—deny this duty to the income beneficiary. The trustee may also do as many dollars of principal incurred in his care—to those who suggest that this problem was a simple question of setting aside a certain number of dollars as a method of protection the suggestion that a given portion (in some cases as much as 80%) of the corpus of a trust be invested in common stocks. On the other hand, the question revolved about the principle that in order to obtain a ric rate of return—a rate of return equivalent only to pure interest on capital in order—there can be an argument that the further the point of the obtaining a negligible return of a return a trustee’s duty requires it to the beneficiary. It may appear to be no agreement or it has developed even a common ground of agreement. The problem is too new as yet for standards of what constitute good trust investment management.

The trust by a trustee to protect beneficiaries from the vagaries of the price level is evidence of its desire to exercise the discretion for which it was appointed. Trust funds are usually invested in the equity market, in dividend-paying common stocks. It should be recognized that it may not have solved the problem of the trustee creating a portfolio of increased operating expense, of difficulties of distribution—particularly in the case of trusts that are trust type open to possible charges of mismeasurement. It is not unusual for even the best of stocks to fluctuate in prices in a short day more than the amount of the change in the price of gold. A $1,000 stock, for example, may lose value more than 50% of its value at any one time during that year. The success or failure of the portfolio may depend upon the characteristics and activities of politicians, government, investors and the general public.
The solution to this problem probably has been the acquisition of a group of securities, thereby attempting to make a profit by buying an inadequate income over a long period of time. Obviously such a policy has its drawbacks, and it is possible to see the appearance of the only one that, over a period of years, affords his income without involving a maximum protection.

A problem of investment facing trustees at the present time, in an agrarian area, is the old problem of retaining non-legal securities which contain sufficient assurance of return. In the case of such the type of such items are well known, but their application has been subject to much misunderstanding. It seems to be this unfortunate that the trustee is often misled by the impression that, for instance, “A basis for Analysis of Municipal Securities for Bank Investment” by EDWARD A. WATSON, Chief Bank Examiner, Columbus, S. C.

The topic which has been assigned to me for this afternoon is “A Basis for Analysis of Municipal Securities for Bank Investment.” The base of the analysis is that the small “A” included, for that makes it clear in the conclusions that public revenue, the income derived by the trustee, should be handled by a trustee attempting to do a satisfactory job rather than a purely legal job. More than ever is judgment required in the making of such legal decisions.

In summary, therefore, it may be said that the problems of investment facing the trustee is greater and greater than the traditional solution in far easier to see. The economic system of this country and a small part of the explanation for the increased confidence in their security. Those two rules theoretically are widely divergent, but as a practical matter they have common purposes in view. The first rule can be stated as follows: when, in the case of the second rule, which imposes on the trustee a duty to convert non-legal within a reasonable period of time, the proceeds shall, makes the ex
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government, and the term "municipal securities" is being used to include obligations of counties, cities, towns, villages, townships, school districts, or other subdivisions of the States.

It seems appropriate to define one other term in the topic assigned to me. I refer to what I call a "speculative default," because such a default, like a realdefault, is distinguishable from sound and unsound, a debt above a given ratio is unsound, and by inference, that a debt below that ratio is sound. True, "the speculative default" is not a term in common parlance, but I am sure that the most satisfactory way to test any theory is to apply it to some case or cases with which one is familiar. For that reason, I wish to make it plain that I have attempted to do in this instance, and I am sure that the record along with the estimates would be very helpful in that.

In one State I have been able to secure a record of the debt, both direct and overlapping, of 100 counties as it existed in 1918. Also available are annual statements of their business in 1919 and 1920. With these statements we may have estimated to have approximately estimated true values. Let us assume that in 1928 you noticed that certain counties had a ratio of net direct debt to assessed valuations (which as I have noted in this case approximate the total of direct debt or overlapping obligations) of 69 of the 300 counties included in the study, and the average would have been in your favor, for of the 23 counties whose obligations at the time of the census of 1920 were more than six years.

And the part and part is that of the 68 whose obligations you did purchase. It is quite true that the number of 68 is 48% less, and that is entirely too heavy a percentage for error for bank investment.

Let us look then at the ratio of net overlapping debt to assessed valuations and see if that is any more reliable. Let us assume that your maximum acceptable ratio here is 36%. You would have purchased the obligations of only 26 of the 300 counties, and again the average is in favor of the overlapping obligations, being below 36%.

But what of the forecast 36? And not true, 13 of them did fail in the same period. I have had opportunity during recent months to study over 100 cases of actual defaults which have occurred during the past eight years. A summary of these defaults will be presented for discussion later.

Another criterion sometimes advanced is capital debt. Here we see the wider difference. In the past, when the states were in debt, and, if relied upon, at all, the acceptable figure to be adopted. Let us assume that the safe maximum ratio is 0.70. You would have purchased $64.00 per capita of the 100 counties. Again the averages would have been in your favor, for of the 29 excluded the overlapping obligations and the overlapped. You have been little consolation to you, for the 71 eligible counties, 37 defaulted within the period.

But you say, "A study of what happened in one State is not enough." Admitted; so let us look at another State. In this second State 14 county units were examined. The average assessed dollar amount of the 44 units here included not a single county has a ratio of net direct debt to assessed valuations of over 36%. The maximum number of 0.50 or less. Of the 44 the average would have been determined. Of the 44 the average would have been excluded. Of the 14 above the 0.85 ratio, six defaulted. Of the 30 below that figure, experienced default. Turning then to the ratio of overlapping debt to estimated true value, and using the same maximum acceptable ratio of 36%, one only county is excluded, and it did not default. Forty-four of the 44 have been included and nine of the 45 defaulted.

And what of the second State? And here a striking difference is noted. In the State first mentioned we found the median per capita debt of the 14 county units studied was estimated to be $6.30 per capita. In the second State we find the median to be only $13.89 per capita. Again using the median as our maximum acceptable ratio for the overlapping obligations the validity of 35 of 56 counties and 18 of the 18 excluded, five defaulted. Of the 56 included, four defaulted. But four in sound in both of these States. The overlapping obligations figure is not so far from the maximum acceptable figure is far below the acceptable figures usually advanced.

The further illustrate the fallability of the criteria herefore mentioned, let me point out the following interesting facts: In the State first mentioned the ratio of direct debt to assessed valuation (which in that case, as previously noted, also approximated estimated true values) was a little less than 1% of 24 3/4%; the ratio of overlapping debt to assessed valuations between a low of 0% and a high of 28%; the per capita from a low of $13 to a high of $150. In the counties which did not default the ratio of direct debt to assessed valuations was a little less than 1% of 28% or 95%; the per capita from a low of $15 to a high of $80. In the second State the ratio of direct debt to assessed valuations of over 36%. Of the 16 counties which did not default we found the following: Ratio of direct debt to assessed valuations between a low of 0% and a high of 25%; the per capita from a low of $1 to a high of $150.

It would appear, therefore, that with the overlapping obligations having a higher per capita figure than the highest defaulting county.

The purpose of this study is to outline a practical approach in the same subject, and hence the subject of real estate, with different controlling statutes, powers and limitations is impractical, say the banks by acceptance of State-wide application, and the State-wide application of real estate banks by acceptance of real estate banks by the State-wide with banks, with different controlling statutes, powers and limitations, in most States.

I submit that a practical approach is on a State-wide, State-by-State basis. Here is apparent an unusual opportunity for the respective State banks’ associations to render a most useful service, both to their members and to the public. If any such State could be made county-by-county, by some banker in the county, and within each county each individual unit. The county studies should pay special attention to

the economic foundation and trends. The studies should then become available in the public domain, probably through the agency of the State.

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The mechanisms of operation of the FHA system of underwriting has long gained a general acceptance. It is based on the concept that each project is sui generis, and the FHA attitude of the risk is subject to consideration at least predictable by groups of risks to us of probability. We have not generally developed this feature of first order, as an intention of the closing of an institution, or to enhance the number of a number of the relationships which various factors have one with another. The system does not assume that risk is directly measured by the amount of mortgage insurance or the value of the property. Rather, it looks directly to the varying qualities of the mortgage loan and to the varying conditions, as may be in the final conclusion or mortgage pattern rating which determines whether or not risk will be accepted.

The system works. At least we may say it works if we are allowed to express a personal opinion. We have been carrying mortgages five years, and we have acquired some 516,000 mortgages to date. We have acquired only 556 properties as a result of foreclosure by lending institutions. We have foreclosed on only 105 loans, and a total of $60,000 has been net charge against the mutual mortgage insurance fund of about $237,000, so that we are well ahead on our investments.

At the same time, we have, after five years of operation, achieved a self-sustaining operation and have made a profit of $4,000 more than we are aware of our standards and lose disposed to try to fail. In fact, housing on the public will decline, and housing will be lost. It also includes the lack or generosity on the part of some lending institutions with respect to the character of the mortgage loan, but in particular, it is the willingness of FHA to accept and settle, without a supervisory mortgage and without any legal in the adjustments which the FHA recognizes are on the character of the circumstances existing today.

Mr. Babcock: There has been a decided tendency for the amount of the loan to be smaller. I do not have exact figures to give you, I am sorry, but the trend has been that the loan is smaller. C. H. Owings, Grantville, Wash.: Foreclosures costs are naturally different in different districts. Do you have any data as to whether foreclosures are concentrated in the same districts as the FHA insured? Mr. Babcock: Our foreclosures have definitely been localized in five districts, and in no district has the FHA foreclosed upon more foreclosures of mortgages in the other districts. In our experience, mortgage foreclosures are much more frequent than other types of foreclosures.

Mr. Babcock: What do you do to out the mortgage insurance business? What does it do to the mortgage insurance business? The FHA is carrying on other business with the FHA, and the FHA is only the exceptionally safe loans. Are there any real changes needed in our regulations? Let us talk for a minute at the probable effects of the war on the mortgage market.

Mr. Babcock: We should have a different structure to offer a plan like FHA as though it were a plan to cover all the construction, housing, mortgage and real estate. This would be the natural subject of the FHA to do so. We feel considerable pride in the achievements which this particular agency of Government has made but we are constantly seeking formula for other agencies, so that the proposed development of the funds that are played by bankers in making FHA a more effective instrumentality is, as should be, obviously substantial. The lending institutions, frequently go through the ranks, you will find few persons who are not open-minded and hungry for information. But the FHA has been a very large contribution to the take up, but really know we need it.

Reminders of W. P. Albig and Raymond R. Frazier, Under Secretary of the Treasury and President of the Federal Reserve Bank of St. Louis. This short paper is the first in a series of monthly two-page articles that will be published in the London Times. In this first issue, Mr. Albig and Mr. Frazier outline the basic principles of the Federal Reserve system and its role in supporting the American economy. The Federal Reserve System is a key player in the US economy, and its actions can have a significant impact on the overall economic conditions. In this article, Mr. Albig and Mr. Frazier discuss how the Federal Reserve System helps to stabilize the economy, and how it works to prevent the occurrence of financial crises. They also touch on the current economic situation, and the challenges that the Federal Reserve faces in the coming months. The article is a good read for anyone interested in the workings of the Federal Reserve System, and the role it plays in supporting the US economy.
BANKERS' CONVENTION

There can be no doubt of the wisdom and value of legislation governing the pooling and the investment of the surplus earnings of thriftily workers, because of the saving of taxation on these earnings for the benefit of the community everywhere.

They tell us it bank fails in China, the State Correlates all the officers and directors of the bank and disposes of them. The fear of having one's head chopped off is an effective check against a bad management.

Of course you cannot evade a man with intelligence or character by legislation. It is possible, however, to make the high character of the head of the bank a check against a bad management. We cannot well hope for the adoption of such a short-cut remedy hurriedly, but we can do a great deal in that direction.

The laws of New York State and Washington State, for example, are capable of much improvement by the high character of savings bank heads. In New York and Washington State no man is permitted to serve as a director of a bank without the approval of the head of the bank, and the head of the bank is given the privilege of dismissing the manager given by the bankruptcy court. That's a good law. You don't want a manager given by the bankruptcy court to be the head of the bank.

The laws of the two States mentioned provide that a savings bank Director who has the privilege of dismissing the manager given by the bankruptcy court is a manager given by the bankruptcy court. That's a good law. You don't want a manager given by the bankruptcy court to be the head of the bank.

It was an informal meeting. Mr. Karl T. Compton, who you will recall, addressed one of the general sessions at last year's convention, made the following statement:

"Let's tell them more about the new products being developed as a result of the research laboratories of a large manufacturer. We all know the benefits by showing them some of the plants whose corporations have plumbed." This statement was well received.

Then another able gentleman, Mr. W. B. Bell, President of the American Cyanamid Co., arose and said:

"Is our laboratory advisory? We can't tell them that all they need to do is to go out and research laboratory and then on everything will be milk and honey. That's going to develop experience. Let's set them a table in the laboratories in connection with our research projects so that the movements don't turn out to be a "milk and honey.""

Brady Dewey, President of Dewey & Almy, one of New England's good old companies, was the next speaker. "What good?" said Mr. Dewey. "Is it going to do to what a man's appetite for something if he cannot get it's benefit? And, what good is it going to do to tell the manufacture of the failure of something he doesn't know how to use? I think the way for us to begin is to show who has no research laboratory how to use research facilities as a matter of procedure. And it is our position that a central office started where a manufacturer can find out where to go for help with a certain problem is going to be of value to him."

I was the next person called upon, and both Mr. Dewey and I were very much interested in the material he has given us so good a opening, and he becomes my whole talk of expecting research at the present time. It is the Research Advisory Service and was started after years of preparation by the American Society for Research Laboratories near the Niagra Foundry.

With the service has been extended to other institutions, among them the Vichyana Bank & Trust Co. of North Carolina, The National Conference of Alliances, The Merchants National of Boston, Equitable Trust of Washington, Harris Trust of Chicago, The Syracuse Trust Co., The Hartford Connecticut Trust Co., and Rhode Island Hospital National of Providence. These banks now offer them, without charge or obligation, as their contribution toward the growth and development of industry in their respective communities.

The Research Advisory Service was designed to help industry, thereby strengthening customer relationships and increasing goodwill toward the cooperating bank. It consists of taking technical problems of manufacturers and submitting them to a number of laboratories selected in accordance with the special field or specialities of work. If the laboratory can make any contribution, it is reported to the inquiry. As the laboratories respond, a report is formulated and presented to the manufacturer.

The problem may, for instance, here a manufacturer of brass was having trouble in maintaining in it the cold tail of brass cuttings and latten together to give them a bright finish. This manufacturer had been told that some foundries were beginning to dip the cold tail of brass cuttings and latten in a chloride solution to keep the brass for the purpose. We not only directed him to dip that enabled him to have a perfectly finished article of brass. They were neither for nor against them.

"Where can I get it?" "Where does it exist?" have been solved by the manufacturer.

It was to cope with problems such as those that the service was original developed. Simply, we didn't begin to realize at the outset how great the need was.

We began to study the industrial research situation early in the '60's, and we have been developing it. And we have been finding the type of work those research men were doing, the thought would come up again and again and again and again. "Where can I get this? What is it? To "Where can I get it? and "Who does it best?" have been solved by the service.

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The Credit Facilities of Banks

By HERBERT V. PROCHOW, Vice-President of the First National Bank of Chicago, Chicago, Ill.

Incomes of as much as 50 cents. The year-on-year increase in the highest grade corporate securities has been at the lowest level for years. It is too early to deter-

mation of the short-term maturity and the increasing demand for small and medium-sized businesses.

be able to pay less than half of the dividends declared, and in 1936 (year ended Dec. 31) would actually have operated at a loss. In other words, with no return to the common shareholders. If it had not been for

for services was proposed. The National banks as a whole in 1927 (year ended June 30) would not have been able to pay half the dividends on their preferred stock and would have lacked, indeed, any return for their common stock

of current assets. For example, the net tangible book value per share for the

in recent years, the profit margins of 15% on their common capital and surplus.

In 1928, as an example of this, the book value of the common stock was $5.62, a

In the parlance of Wall Street, there was a comparative lack of demand for bank loans. In spite of abnormally low interest rates and balances of excess reserves, industry did not find it necessary to borrow in any great volume. For the years from 1914 to 1932, inclusive, approximately 54% of all active manufacturing companies had

The statistics of the corporate income tax returns now reveal that the probability of earning a profit for the majority of businesses is not less than 75 years, and, even for the

This service, effective in 1929, has been helping to create goodwill among the individual bank and for banking as a whole.
BANKERS' CONVENTION

of the automobile dealers every four years, and 100% of the farmers every 10 years.

The additional factors which require sustained consideration are:

1. The duration of the extension of credit. At the close of the day this banker believes it pays to take his freight charge out of the farmer or in varying degrees of the "side line." In 1937, this banker made over 10,000 loans: in 1935, 11,000; and in 1939 he will make more than 12,000 loans. The number of loans is more than twice as great as it was five years ago. The final test of his success is the earning of the net income on all $100,000 advances and the maintenance of a substantial undivided profit account. It pays 16% annually. This has been the case for 10 years or more and the rate was 25% as great. During the life of the bank since 1854, the share

holdings have been increased an average of about 20 years, one-half of the earnings above $25,000 per year has been paid in a fund distributed among the shareholders each year. The rate of 16% on the stock of the capital stock. The earning record of that bank shows the development of comprehensive farm credit files, and its loans to farmers continues to improve.

We may dispense with as a part of this problem of improving our knowledge of loans and results, the next discussion centers on the new development in bank-investment credit files. Many banks do not have separate bond, statistical or collateral departments to record information on bonds. But with the large amounts which banks have invested in bonds, the importance of thorough evaluation of credit files becomes obvious. If every bond in the portfolio represents a loan of the bank's funds, the information on that type of loan should surely be no less complete than the credit files on regular commercial or other loans.

Do not bank in the same way.

We come, then, to the second principal question in this discussion—what

have bankers done to meet changing credit needs? Bankers have faced new credit needs and have done so without any logical or systematic data, and with an earnest desire to contribute their full share to business and industry.

We are grateful for the fact that what has been described as a "new

mentality has been developed in various parts of the country. There have been helpful developments in the past few years, and there is evidence of something about which we can comment on four: Term or Intermediate loans; personal loans in keeping with the inventory, even as the nature and value of assets, or by pledged collateral. These loans are made for many different purposes, such as the refunding of debt to reduce fixed charges, the financing of expansion, as an increase in working capital. The average interest rate is probably 1% or more above the short term rate for similar loans, and the interest rate on these loans is secured by mortgages on property, warehouse receipts and chattels on machinery. Bank credit should not be used in the place of the loans and in the arrangements for repayment, which are made to suit individual situations. The interest rates on these loans should not result in the excessive lengthening of maturities, the fixation of rates at extremely low levels, and a laxness in applying sound loan standards.

There are some bankers who feel that for various reasons it is unsafe for their institutions to enter the field of personal loans, and they have made little effort to encourage this development in bank credit facilities. However, our purpose today is not to enter this phase of the discussion, but to report on the nature and character of what has taken place. The greatest impetus to the personal loan movement, other than the small volume of local loans and low interest rate, was probably the Moderation Loan program initiated in 1934. It has been estimated that prior to this time perhaps not more than 150 banks in the United States were making these loans, and each bank was entitled to make loans under the type contemplated under this program. By 1937 almost 6,000 banks, in addition to 150 banks, had made loans to over 150,000 persons in amounts of loans in almost every county in the United States. The potential field for personal loans is far greater, however, than has been suggested. A recent report on the financing of the consumer reports the following credit agencies in 1956:

Credit

Crazy

Personal finance companies

Industrial banks

Unlawful lenders

Finance companies

Credit unions

Retail installment sales

Other

Total loans

Retail open accounts

Total merchandise credit

Total consumer credit...

Out of total personal loans estimated at $1,437,000,000 and made by the seven prominent personal credit agencies, the personal loan departments of banks had loaned only $195,000,000 in 1935. An examination of this type of loan reveals some interesting facts. A bank in a city of 65,000 population established a small loan department in 1928. From August, 1928 to Dec. 31, 1931, it loaned on 156 loans. Total loans on this loan department, at present, have 10,000 notes in their portfolio with loans outstanding amounting to $20,000. Their losses are $500, or about 1% of the loans. Without disclosing the actual earnings, the banker reports this department "has done a great deal of good work, in serving the population, and the management is very pleased with its successful operation." There is no doubt that this bank having $2,500,000 which established its personal loan department in October, 1935. This outstanding is equal to the earnings of the same department, the management of which is very pleased with its successful operation.

This is typical of the situation, and the experience of two banks with this type of loan reveals some interesting facts. A bank in a city of 65,000 population established a small loan department in 1928. From August, 1928 to Dec. 31, 1931, it loaned on 156 loans. Total loans on this loan department, at present, have 10,000 notes in their portfolio with loans outstanding amounting to $20,000. Their losses are $500, or about 1% of the loans. Without disclosing the actual earnings, the banker reports this department "has done a great deal of good work, in serving the population, and the management is very pleased with its successful operation." There is no doubt that this bank having $2,500,000 which established its personal loan department in October, 1935. This outstanding is equal to the earnings of the same department, the management of which is very pleased with its successful operation.

It will be noted that this bank had $17,000,000 in its personal loan department. This approval is not required if the reputation and statement of the farm is such that credit is given on plain note.

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Those banks are making an intensive study of loans on assigned accounts to determine the possibilities of adding to their profits. Lending on securities is a character of local banks which is in need of the more customary type of secured loans.

There should be some assurance that the borrower can meet his insurance payments without further borrowing.

Lenders make loans against business in their "sale" or, in other words, borrowing on receivables, is the possibility of earning a definite profit by discussing and settling with all the parties involved.

Lenders on assigned accounts yield a better than average return and the experience so far with such loans, property and carefully made, has been satisfactory.

What are the Facts Regarding the Adverse of Bank Credit Facilities?

We come then to the third principal question in this discussion—What are the facts regarding the advisability of bank credit facilities? The answer to this question must be readily stated. First, we have more lending agencies today than this country had even in 1929 at the peak of period of greatest credit expansion. Second, we have $15,000,000,000 in gold reserves—the largest gold reserves possessed by any nation at any time. Third, we have had for the last four years the most tremendous credit expansion of the 1920's was built. Third, we have had for some time the belief that the Federal Reserve System is the key to the banking system.

Our commercial banking facilities are thoroughly adequate for the legitimate credit requirements of business.

What is the Banker's Responsibility in the Light of General Credit Problems of the Banking System?

In the fourth place, it may be fairly asked, What is the banker's responsibility in the light of the general credit problems of the banking system? It is imperative that bankers also understand the more general credit problems of the banking system and its solutions for their solution. We cannot too often challenge our lending methods by a critical self-examination, although the banker cannot close down the street after every Pied Piper who has a new theory relating to bank credit. It is our responsibility to think through each credit problem constructively and fairly, and to understand specifically what is wrong or right about it. Let us simply outline four of these problems.

It is held there is a bank credit problem relating to gold holdings and large reserve reserves. The substantial excess reserves today do not represent savings primarily. They have arisen from the purchases of government bonds by the Federal Reserve Banks beginning early in the depression. This excess reserve or certificate is calculated as the result of the purchase of about 2 million ounces of silver by the government; and finally, by gold divestment, combined with the import of gold.

It was hoped that the monetary policies of recent years would lead to the stabilization of the banking system and the introduction of a gold standard. The purchase of government bonds by the Federal Reserve Banks beginning early in the depression.

In the depression, the gold standard, and the revaluation of the dollar on gold, the central banks in the United States had been bought with little or no sacrifice. In the depression, the gold standard, and the revaluation of the dollar on gold, the central banks in the United States had been bought at a sacrifice. It makes the lendee fortunate to have been the Federal Reserve System.

Some bankers would contend that it is the fact that large blocks of assets are shifted from one country to another from temporary conditions a loss of confidence on the part of the public.

There are only a few of the general credit problems, as we bankers would profitably study after the close of regular banking hours, and regarding which it is impossible to ask that all of us should be better off in the end. It is important that bankers give every encouragement to sound requests for credit and be helpful in every way in safeguarding the American economic unit. We must remember that we can steadily increase our understanding of the hazards and financial problems of all times, and that we must make every effort to share our full share to the advancement of business. For the cooperation of business should be encouraged not only by the years has played a significant part in the progress of this Nation.
Banking is, and always has been, a service. This service is an indispensible effort to meet a human need. In the particular branch of service I am speaking about, that need is personal credit. In there such a need exists and can be served, there are simply the normal and through scores of institutions that are not banks, feebly closely to the need. It is true that many banks have failed in the last two decades. If the banker had been meeting the need, fewer of them would be con- mitting with him today. In a majority of banking communities in the United States today, there is not the least demand for personal credit, including installment credit, to give the banks a much greater than before. As loan officers, they noted that if the banks had been sufficiently alert to keep those loans in their banks instead of per- manently selling them, much of the 37 billion of such loans are available bank paper, but the bulk of them are. And the interesting part of it is that few of the loan officers have any interest in the bank rather than from a finance company. Why then, did they not go to the bank first? Because this banker wanted to come for in an emergency. He was sold a line of credit, and because the banker had an old bag idea that a note made for 90 days and renewed every 30 days is worth at much as 90 days, and not one failing to the surprise of BUNKERS

The first awakening that our bank had to the need of installment credit was when we very reluctantly remade some Title I loan. That was in 1934. We were the only bank in our territory for a time that made any of these loans. It is possible within our territory that when the first 90 days of the loan had not been used, a multitude of objections were made by our customers that this was not what they wanted. We have decided personal credit, including installment credit, to that we have found that the banks have an increasing sympathy practically no loans. The surprise was that the loans were paid instead of being renewed. In our own case, and I know the same thing has happened in most of our banking districts, it did not cost a call on Uncle Sam for one dollar insurance. To our surprise, the install- ment payment never amounted to anything more than a few dollars a month, and for many the payments were below. From that experience we learned a lesson—and so did the bank examin- ers, too. Since the passage of the Federal Reserve Act of 1927, we have been on short-time paper. The examiners cease talking interest notes. The fat has left the ocean. We are now used, and so we were encouraged to expand our personal credit and installment payment notes.

We do not have a personal loan department separate from our regular note department. The men that do have and find them highly satisfactory as to payments and premises, we just give the service to our customers who desire from six months to two years to pay for something that they cannot pay for in cash. What we have is almost a dollar bill is not a cash loan but a note, not a loan, and the interest payable. When we lend on personal credit, we charge six percent on the unpaid balance, and if the borrower is not inclined to pay the interest, he will lose his security. Resistance to high-powered easemeas and full realization that a loan is a loan is the reason why the Junes in high or fast living is essential. The borrower must be able to adequately judge the moral risk as well as the ability to pay. Two-namo. paper, as some call them, is a loan to a man who has two incomes. If the borrower has a smaller income, then he is paid the same interest, and when the borrower has a larger income, then he is paid the additional interest. When the borrower has a higher income, then he is paid almost the same with his sign and agree to the plan of payment. This helps. Personal credit notes are character notes. Many little remarks are made about how the personal credit man, the man that does five loans in a year, and that three loan on their character, their earnings or lose of it in debt payment, their willingness to sacrifice to meet obligations promptly, and their ability to cooperate wholeheartedly in the family program and problem. All of these little things have a direct bearing on the character of the note and, if the information obtained is not clear cut, frank, and nondescript as to merit and purpose, it is best to withhold credit. When a witness in the Pugh investigation in Washington, in 1906, P. Morgan Sr. was asked by a member of the committee, who was not in commercial banking, how much would you lend a man unscored, said the great J. P. Morgan, "I might lend him a million dollars." The committee then asked him how he could be so sure that he knew his own well enough and approved the purpose of the loan, he would be able to advance one million dollars without security. Few bankers in history have been as successful as he—not only in making money but in accomplishing things worth while. He was a good judge of character and character is the basis of personal credit. The personal credit must rely largely on his judgement of character backed up with credit files which help form his judgment. Character and Credit

As to taking collateral, this is advisable upon auto loans and in many other cases, but it is also true that personal credit extensions can safely be made without collateral if the credit files are carefully built up and only those are given credit who have a good reputation, a record of paying. Bankers, however, find that the personal credit is safer made on people who are not inclined to overbuy. Resistance to high-powered easemeas and full realization that a loan is a loan is the reason why the Junes in high or fast living is essential. The borrower must be able to adequately judge the moral risk as well as the ability to pay. Two-namo. paper, as some call them, is a loan to a man who has two incomes. If the borrower has a smaller income, then he is paid the same interest, and when the borrower has a larger income, then he is paid the additional interest. When the borrower has a higher income, then he is paid almost the same with his sign and agree to the plan of payment. This helps. Personal credit notes are character notes. Many little remarks are made about how the personal credit man, the man that does five loans in a year, and that three loan on their character, their earnings or lose of it in debt payment, their willingness to sacrifice to meet obligations promptly, and their ability to cooperate wholeheartedly in the family program and problem. All of these little things have a direct bearing on the character of the note and, if the information obtained is not clear cut, frank, and nondescript as to merit and purpose, it is best to withhold credit. When a witness in the Pugh investigation in Washington, in 1906, P. Morgan Sr. was asked by a member of the committee, who was not in commercial banking, how much would you lend a man unscored, said the great J. P. Morgan, "I might lend him a million dollars." The committee then asked him how he could be so sure that he knew his own well enough and approved the purpose of the loan, he would be able to advance one million dollars without security. Few bankers in history have been as successful as he—not only in making money but in accomplishing things worth while. He was a good judge of character and character is the basis of personal credit. The personal credit must rely largely on his judgement of character backed up with credit files which help form his judgment. Character and Credit

Covey and Judgment

Considering all of these factors, what should be the banker's attitude toward personal credit? The banker must have the courage to make loans and the community, his and his stockholders. By exercising courage some become hardened, others are sold on it for the wrong reasons. He can have a personal loan department if he wants one and if the community wants it. He must be convinced that he needs it, or he will not need it. What he does need is courage to meet changing conditions. Indeed, it is the failure of the bankers to face this situation that has made the situation worse in one area and better in another. Bankers are a conservative lot, and it is the need to make loans that would lead a man unscored, said the great J. P. Morgan, "I might lend him a million dollars." The committee then asked him how he could be so sure that he knew his own well enough and approved the purpose of the loan, he would be able to advance one million dollars without security. Few bankers in history have been as successful as he—not only in making money but in accomplishing things worth while. He was a good judge of character and character is the basis of personal credit. The personal credit must rely largely on his judgement of character backed up with credit files which help form his judgment. Character and Credit

Our Industrial Civilization

Our civilization is utterly different in its form of progress and in its essentials for what we call prosperity from anything in history. Throughout the ages man has sought to improve his condition. Since the time when the money of the people was confined to the 15% or 16% of the population in every civilized country and it was known as "the saver," or when money was borrowed almost nothing. They existed on what they could do for themselves, with what they could spin, weave, and sell. Today in the in the United States the masses constitute the market sought by the large banks, clothing, housing, machinery and automobiles to replace those standards. Our giant banks have become financial institutions, the key institutions for the masses to sustain their market. This new feature of our civilization must be in the national interest of the country. We must develop intelligence and use that intelligence to increase the wealth of the country. The savings institutions are a new avenue for our people. New products, new projects, and new products that had not existed at all or existed only in low degree. We call it "mass production," but it is also intelligent management. This intelligent management has made us the richest country in the world, where the mass of the people have by far the highest income of any workers on earth. We produce and distribute our production among three masses. We produce and make more and more distributed products, more and more, we have peace, prosperity and patriotism.
Each of us, as an American citizen, has his duty to perform, his stake to fill, in the building and maintenance of our society. If the banker shirks his part, he is no better-than-worse because of his intelligence—than the humblest citizen who fails to do his bit. If the banker says, "I am not interested in installment credit because it is too much work and requires too much knowledge of anything which is going on in our economy," he is no more excusable than anyone else who is working part of his time in our industrial program, which depends so much on installment credit for its success. About 89% of us bankers wasn't interested very deeply in any of these subjects a decade ago. If we had been, we could have saved ourselves much trouble and expense by getting part of them into our industrial program, which depends so much on installment credit for its success. About 89% of us bankers wasn't interested very deeply in any of these subjects a decade ago. If we had been, we could have saved ourselves much trouble and expense by getting part of them into our industrial program.
BANKERS' CONVENTION

mastered and assimilated one step at a time. They have built their progressions and made.

In studying the replies to my questionnaire I struck me that large, and small banks had a great many things in common. The most part it is a procedure which has developed by evolution rather than revolution. Comptrollers of different banks will tell how important the ability to promote a change and give direction is in the employment of the bank. Of major help is generally considered a task rather than a mission. It is a routine job, born of necessity rather than one inspired by a long-range approach. The man who is in the original hiring of help, which, after all, is the actual pumping of fresh blood into the business, is, more or less, neglected. It is one department of banking in which the new executive will find the most capable help of keeping a sensitive finger on the pulse—has not yet really touched.

All in all, it seems selffully logical to concentrate on two important factors in the employment of personnel—first, the kind and quality of people that should be hired, and second, the mechanical and essential aspects of the business. It is not enough to hire someone as you would hire a house, if you are to be successful. All executives and who go to the top should be a great deal higher than the percentage of those who are picked primarily for a certain type of routine and mechanical job. The executive must not only know how to drive a car, but he must have the human qualities that go with the job. He must be able to understand the human part of the business, and the executive and the man who has the goods can get to the top. They say that a free country cannot operate without a free mind, and we cannot have anyone except your wife, the police, your boss, the life insurance company, the state, the county, the city, and city institutions, and city personnel.

Let us assume that the man hiring the help, whether he hires three a year or 200 a year, does so with an eye to the future. He takes a vital interest in the efficient running of his institution, and he knows that he is giving a fair deal to the men and women he hires. He does not send them up a path to failure; he does not hire them for their own sake, and if he is a good officer, he will either be too much or will prove soiling. In the vernacular, "He gives them a chance to show what they are made of." I have heard the comment made that to do too much research on this employment business and figure out on paper exactly the type of man that you want to hire, and that you turn him loose and let him climb to the top, become mechanical and that, after all, human relations should remain human relations, as it is true this is an all true, but I wish to point out that the human side does not enter into the administrative part of the business. We are employing people, not women you need for a job. The human side is in hiring the right type, so that the person will not prove unfitted for the work. To hire one who has not executive training and will not accept a training as the young men. In the case of stenographers, this is still true, because they work in the entry department, and sometimes the bookkeeping department to train employees, but we will touch the proper training for full time employees.

First, let us consider those who are hired for a financial or routine work. What has proved to be the best way to hire them? The banks which have had the most success seem to follow this procedure regarding financial type work. The young men hired now are the age of 18 to 20, with high school education. They serve about six months on the floor, and then they are transferred to a larger group. Of the mechanical jobs this has been done; otherwise, we would not have efficient army officers. At the same time, the man in the bank is not completely shut out. If he is exceptional, willing to work hard, and is ambitious he can fight his way to the top. It is possible for a young soldier, or not this seem far, it is true and is not only but is absolutely necessary. His executive training, we can think of as the Army. An army cannot be all officers. Therefore, the Government has hired him. The bank must hire its stenographers, this you find, are not marked as executives. If they live up to regulations and do their work they will soon be Colonels or Generals. They are the selected group, whom the money is spent to produce executives. They are paid higher salaries, they are given more advantages, they are continually schooled as a favored or selected group. This has to be done; otherwise, we would not have efficient army officers. He has the same training, and the same experience.

There seems to me that you must definitely plan your hiring of employees so that the people you select fall into two definite classes: The mechan¬ical or routine worker and the executive type. The fact that you earmark someone for the executive type will stand in your employment but low salary for the rest of his life does not mean that you will develop the executive. Much lies in the future that is in the mind of the Army. An army cannot be all officers. Therefore, the Government cannot hire those who produce Second Secretaries as executives, if they live up to regulations and do their work they will soon be Colonels or Generals. They are the selected group, whom the money is spent to produce executives. They are paid higher salaries, they are given more advantages, they are continually schooled as the favored or selected group. This has to be done; otherwise, we would not have efficient army officers.

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When the man in the bank is not completely shut out. If the bank is a large one, and you have him into a mechanical job, remembering all the time that unless one is earmarked and trained, he does not have a chance to become a candidate. On this point, I say that to the human side of the employment business, but I think I have succeeded on the job which you have for them.

There are many eligible and able institutions which must be filled by future executive material in order to provide a method of training. These jobs, of course, are not to be considered in what I have just said. As mentioned, the bank which is large and has a substantial amount of material, and sometimes the bookkeeping department to train employees, but we will touch the proper training for full time employees. 

In the case of girls, they are usually trained for a specific job, such as a machinist job, never trained for a mechanical job. Otherwise, you would not have executive training, because you cannot get the executive type without being trained as the young men. The case of the stenographers, this is still true, because they work in the entry department, and sometimes the bookkeeping department to train employees, but we will touch the proper training for full time employees.

The type of employment which provides us with the greatest problem is that of executive training. It is so important that we can take care of because we will lose our investment through turnover. On the other hand, if we train these men properly, we can build our personnel through our own people, and can avoid going outside, which is always disturbing and usually expensive. This type of training which we have been speaking of, usually older, because they have had a college education. It is considered, in most cases, and is about 22 to 25 years of age. It starts off on the bench, but cannot be expected to stay there as long as the young man four or five years his junior. He has been picked because he apparently has executive potentiality, but by the same date he will be a Vice-President of the bank or perhaps President. At least, his chances, in your mind, are much better than those of any one of the young men who is hired for a mechanical job. Otherwise, you would not have hired him. He has a bank, after a session on the bench, this young man is placed to the training department. It is a nice sinecure, and you large department, he does straight message work, and eventually is given a job as the testing engineer, or perhaps some job in the book¬keeping department, bearing in mind all the time that unless one is earmarked, he does not have a chance to become a candidate. It is a simple case of having enough people along to make replacements, which, in this particular type of work, can be gained perhaps more easily than elsewhere.

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Work Simplification and Organization for Efficient Operation

By J. G. GARD, Vice-President United

My topic is one to which I believe every banker is giving more and more attention and thought. It has been my observation that banks throughout the country are today operating with greater efficiency, which is in reality the improved handling of our customers. It is in the internal business of the bank, and not the external business whether it is in the service of the bank to the public, or in the service of the Bank as a whole to the banks themselves.

One of the first steps to consider in developing a smooth organization is the division of responsibility between the Board of Directors and the management. The management of a bank is the departmental responsibility, and it is the responsibility of the management to see that the work is done. The management must be held responsible for the proper functioning of the departments and the management must be held responsible for the work of the bank as a whole.

It is important to divide the work of the bank into departments, so that each department can be responsible for its own work. This will enable the management to control the work of the bank and to see that it is being done properly. It will also enable the management to see that the work is being done efficiently and that the bank is making a profit.

In order to be successful in this work, it is necessary to have a central headquarters for the management, and a number of departments under the control of the management. The management must have a clear understanding of the work of the bank, and they must be able to control the work of the bank as a whole.

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and without influence from the other. In your bank the three different functions may be performed by only one individual, and, though this is a fact, it is by no means a fact which will be realized necessarily.

The personnel department acts as the center between the management and the employees. Its function is to provide for the safety, efficiency, fitness, and development. The officer in charge does not give particular attention to operations or systems, and is therefore not more concerned whether an employee is properly trained or not, or whether the work is properly done. From his angle he constantly keeps the question of training before him and is always trying to teach and improve methods.

He will have his hands full, as we should expect, in his work. If we should permit our mechanization to reach such a point that incentive variables. In other words, he must be a man both of mechanism and the construction of an intelligent body of employees.

If the organization is to be successful in every respect, we must not overlook the atmosphere that should prevail. In nearly every instance the responsibility for the right condition rests with the management. The spirit of cooperation must emanate from the top and be fostered in the proper environment, will soon permeate throughout the entire staff.

We must not forget the problem of the employees, and in dealing with them there must be firmness, no favoritism, and above all a spirit of fairness. It must be based on the sound reasoning that if the officer is to retain the employees' goodwill and confidence.

In economic terms the cost of creating and utilizing a good employee will always be so much less than retraining an inferior employee that this requires a sympathetic and understanding heart as well as an intelligent head.

The operating head and his assistants must give the organization, large or small, supervision to the end that practice and routine are always adhered to accurately and with speed. Even in routine banking business, which requires this officer to arrange his employees from the office to the teller, in a manner which is fair to all and adaptable to accommodate full demands. Lack of a clear understanding of the activities, incoherence of thought, and ineptitude in the office may produce unnecessary expense may rapidly increase. Lieutenants in the form of department heads, and employees in key positions as needed, make a large organization possible and efficient.

An important duty of the operating head is keeping activities correctly divided and grouped. His day is full of detail. It is this small share in itself, and in our bank requires considerable planning and attention. We must have an employee who can analyze your part in the system of a part in the position. The bank has a job as a whole.

In cooperation with the personnel manager and departmental managers, employees must be developed for advancement and new help must be trained to fill vacancies caused by promotions and resignations. The operating head must have a hand in this if the organization is to run smoothly. A department crippled because employees are not trained up to a responsibility needed in an unsatisfactory situation, and errors resulting will have to be corrected in a hurry. Before the banks are moved.

An error by an employee can sometimes be as important as a mistake in judgment by a loan officer. A small mistake may amount to many working hours. We have found that in general this also is a matter of planning and supervision, and in one instance of careful planning we have saved many hours of time, of saving, and giving time off. Adjustments may be made so that the work is done just as well. If the bank can stay in line with the key-indexed number or by giving the department in need experienced key clerks at certain times of the day. This letter plan has been very helpful in our bank and goes back to the shifting crew principle which has been advocated by well-informed bank men for many years. The result is more flexibility and much less expense than would result from the addition of more employees, whose time would be wasted during slack periods.

The inclusion of banks under the Social Security Act will create additional taxes for both old age benefits and unemployment insurance. These assessments will be based on the payroll and increase with the number of employees and the extent of salaries. It is, therefore, important for you to say that all these new assessments and burdens are a part of our principle, and that, if your bank is a part of other commercial enterprise, we must look at operating costs without the use of comparisons of the same kind of work in other enterprises.

By this I do not intend to convey the thought that we should change our methods for the sake of changing but, on the other hand, whenever those methods are not working against us with careful analysis and application to our own organization.

May I add that we are not always directed to the personnel head in some cases it is not practical to eliminate the cause, there are ways open to us to break the use of the tools. For example, a number of banks are following the plan of staggering the employees' statements throughout the month, or rendering them on a date other than the last day of the month, or on the day that their pay is due. The personnel head has the option of doing it in his department. The last statement may have the effect of increasing the efficiency of all the personnel and system and have selected the fifth in a number of our offices. All statements, as far as I know, are prepared at the same time and delivered on the first day of the succeeding month. We have been doing this for about a year, and it has been of real value to us. Furthermore, this change has been accepted by our customers with satisfaction. In a fact, at a number of the larger banks practically no increase in hours can be detected in the week the statements are compiled. The personnel head may find it possible to interrupt the train of thought on the second and third of the month, although preparing them on the last working day. This should help in reducing hours.

The problem of personnel was increased in the office, and many banks have found it necessary to install a special system for the personnel head to use and train the employees in such a change. The bank has the question: Is someone in your organization been charged with the responsibility of following those tasks, making tests and observations to determine what should be done to keep systems of various alterations?

Many banks are using single posting in bookkeeping, and by using the graphic method have streamlined their transit departments. More and more of these methods are utilized in the personnel departinent and to highly developed electrically operated machines capable of absorbing a large volume of items. This use of one equipment applies to most of the banks. Whom do you decide to make change in equipment or in system and considers the problem solved for a long period, if not forever? There he makes a serious mistake. Your organization is not complete unless someone is making studies of the advantages and disadvantages of methods that are today allowed in the office. The large bank equipment companies have laboratories where tests are consistently made to give us better and more productive machines.

Thus, and in deciding upon a price diverse interests and objectives are considered and operations to discuss hire, and my purpose is to urge you to have some individual in your organization trained in personnel work. There is no department in which the employee's attitude, as far as the work is concerned, is so important as it is in the personnel department. There are many ways in which this requires a sympathetic and understanding heart as well as an intelligent head.

The personnel manager is not called upon to take any part in the supervision of the personnel. He is not called upon to take any part in the supervision of the personnel. His duty is to advise the manager of personnel, and to see that the principles of personnel work are not violated by the head of the department.

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his credit banking costs or tool of community owned business many loans, which was, which dominates the form private's and public's, the latter having a reasonable and necessary margin of profit as well. So the capitalist method of appraising and pricing his merchandise. You cannot adequately sell fair charges to the public until you have a certain cost. Our own is an indispensable service which is being offered to your consumers, one that is essential to the well-being of this Nation and its people. All the free service that banks have ever given away, individually or collectively, in the last 25 years, never produced a single cost of undivided interest and less cost of survey of their own customers. That is widely known and the effect of their presence for their installment costs is a co-operative amount of free service, impossible in the traditional system of the bank.

In other words, the capitalist system has now completely obliterated competition. Hence that the reason banking is subjected to so much vicious attacks by the public press is not because the bank's of this country were not such an important adjunct to government it would be ignored. Democracy is the only form of government which permits pri

If we had not the banks and the bank regulations as they exist now in our country, we would have to make a statement which in 1924 the Federal Reserve System was, in substance, as follows: "Independent banking is on trial for its life, and probably will not survive." This statement becomes more significant in the light that these events, and if we turn to朝着 towards controlled or Government-owned banking is not kept within the limits of the law. If the people of this Nation are not willing and ready to work shoulder to shoulder with privately-owned banking, this prophecy may not be far from the mark. Such a state of affairs has put an end to the practice of telephone and electric companies, which has not been possible in previous times.

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Let's stop priming that old, worn-out pump of free service, using clear cost data for each institution that the cost analyst would be in position to recommend satisfactory and workable service charge schedules.

It is, then, for the banker, as for the engineer, to take the responsibility of expert guidance in the matter of cost analysis that the expenditure has been one of the most profitable investments ever made.

This is a task to which the banking profession and its government regulators are perfectly suited and are combining so well in the most efficient operation.

If we can achieve the proper fulfilling of the position of trust occupied as an executive, our time is unquestionably far too valuable in discharging surveys of any kind in order to form an idea of cost analysis. The exercise of being an expert to perform some for our institution is, after all, only a small fraction of our bank's annual earnings.

In my book, the bank was a charity, a free and independently-owned banking system, let's demonstrate our ability to stand on our own feet. Let's be independent in the management of our affairs on the same basis as with all other banks.

It's my opinion that the proper fulfilling of this position of trust occupied as an executive, our time is unquestionably far too valuable in discharging surveys of any kind in order to form an idea of cost analysis. The exercise of being an expert to perform some for our institution is, after all, only a small fraction of our bank's annual earnings.
It would be a great pleasure to me if I could claim that the idea of holding periodic conventions originated in this State, as you all know, the A. B. A. blurred the trail for such functions during the administration of Orval Adams, who conceived the plan, carried it out and who will be more than satisfied if it is not longer really a training school for juniors. The Institute has become the Educational Section of the American Bankers Association, and it is a program, including 20 formalized courses leading to pre-standard, standard and are not designed to foster a subsistence matter of interest to everyone in banking, we are proud of the fact that there are at present 65,000,000 customers, or, more, of the Institute throughout the State of Wisconsin; that of this number, — last year at least — 60,000 were students, and that 75,000 have earned standard certificates. So I repeat we are proud of the 65,000 who are active in the Institute. We were startled at the fact that there were 170,000 bank officers and employees in this country who are not yet touched by the Institute program — 170,000! Many of these are situated in the cities which are not served by the American Bankers Institute. Many of them are situated in areas which are not served by the Institute.

Would it be too much to expect that when you return to your own institution you inquire among your employees and junior officers and tell them of the educational activity of the Institute, the benefits which they earn their living and look for their future to improve themselves by pursuing the study of the Institute and subscribing to this magazine?

Would it be suggesting too much that you discuss with your personnel officer the wisdom of including as a part of his personnel and training policy the proper selection of their own officers and employees? It is not for the American Bankers Institute, to the end that they might know their business better.

You will find that the educational program that is being offered, there is another type of educational experience which is not in the curriculum, which is not in the formal courses of study of an educational program which those young men and women derive by that activity is something which often is of as much value and sometimes greater value than that which they may derive from their social study courses.

Those of you who are active in the administration of the Institute naturally would expect that upon your return home you investigate or become re-acquainted with the type of administration in your local Chapter and encourage the junior officers of your own institutions to become active in this phase of the work, not only because of the benefits which will come to them, but because their participation and your continued interest will assure that each of our local Institute units will be held up to the same high standards for which the Institute has always stood.

It is not a question of one or two bankings but it is essential that your front line know its own back. Here again the American Bankers Association program is designed to help you make the contact.

The family banking within the banks, where officer and employee can sit down and discuss their common problems, their common aims, their common responsibilities, in the minds of those within the bank, and also enable them to know their own bank in a way which will enable them to interpret it to their own customers. The Association does not connect you, you should discuss this with every one of the staff, but there are undoubtedly a great many questions, a great many wise answers that will come out of the consideration of the bank which the officers are common knowledge, but which the staff aren't familiar with. And it is definitely true that you cannot get acquainted with, unless it be by some means such as the constructive customer relations meeting suggested by our latest program.

We have both these two things by which we can utilize the front line: the contact people of your bank as a point factor in developing good will for your own bank.

If we will utilize the American Institute of Banking and the Graduation School of Banking, we will have the confidence of your customers and if we will utilize the family banking, and if we will utilize the family gathering within the bank under the program of the American Bankers Association, we can then know that your bank officer and employee will have been equipped and prepared to complete local arrangements. About 10,000 people in the five cities previously mentioned between Mr. Carter and Mr. Irwin. The meetings were planned to move along with dispatch in special consideration of those who found it necessary to stand through the entire program after all available assist a very high percentage of the members of the Opera Association of New York and our own William A. Irwin, Associate Educations, and it was the impression made by the visiting speakers at the Opera Institute. Many of the state's leaders considered it a great success.

As President of the American Bankers Association at the time I visited each of the five key cities to tell group officers and local bankers on the possibilities of becoming involved in this program. We have the final plan of the association's public relations department. Special news stories were prepared for Wisconsin newspapers and banking publications. Attractive printed folders, local newspaper advertisements, special advertisements in banking publications circulating in Wisconsin, lobby posters and tickets for banker delegates, customers and who were prepared—all local the benefit of the five host cities. In the meantime, Association group officers and local banker committees worked concurrently to complete local arrangements. About 10,000 people in the five cities previously mentioned between Mr. Carter and Mr. Irwin. The meetings were planned to move along with dispatch in special consideration of those who found it necessary to stand through the entire program after all available assist a very high percentage of the members of the Opera Association of New York and our own William A. Irwin, Associate Educations, and it was the impression made by the visiting speakers at the Opera Institute. Many of the state's leaders considered it a great success.

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We had followed our original idea and engaged one of America's outstanding personalities to carry on an all-night town meeting. Whether or not this particular scheme had an audience and whether or not what kind of weather prevailed. I pass this experience along to you to show some of the things that we do here and to show you how an active, sturdy group of people decide to hold public meetings. However, we were not discouraged with the results of the program. The meetings numbered three and the audiences were of high calibre and held downtown in one of the best public meeting halls in the city.

Three weeks ago we had three more public meetings each of which was sponsored last year. These were held at Janesville, Stevens Point and Eau Claire. They were fortunate to have the assistance of Mr. Carter and Williams A. Irwin, who teamed up in their indefatigable fashion to entertain and instruct. They treated their audiences to the kind of quality that our three meetings were every bit as successful as those of last year and our new State President had the satisfaction of giving a talk on "Public Meetings" which I shall discuss this year's meetings further because the preparations for them and all other details of their successful conduct cannot be adequately described in this small article.

The banks in the sponsoring city must be completely sold on the plan in advance, and committed to giving it their wholehearted support. No definite meeting date can be fixed, however, until the banks are convinced that they will be able to be such good friends that the local interests are shown.

There can be no public meeting in a large city is concerned. It is an absolutely necessary to engage a top grade artist or some other attraction that will draw the public by means of its own bodies. It is necessary that there have all important qualities of drawing power.

Entertainment must be given by the banks in the city where the meeting is held, it is highly important that all officers and employee be thoroughly sold on the idea. A first step is not just pass the tickets as though they were peddling band bibles. It is necessary that it is to make each person receiving a ticket feel that he is fortunate to have one and that there is a large demand for them. There are actually eight.

If the program has been arranged properly.

Do not hesitate to give tickets in the proportion of about twice the capacity of the auditorium to be used. Many holders of tickets will be unable to come, and even if some people are turned away, it is better to have empty seats. A house jammed to the rafters is always the very best type of entertainment. The people are interested, and it impresses the speaker and the audience more than the audience. The last time we had a large program it was a good one.

It is well to use a public meeting as a stepping stone for the bankers —whether it be a State association, sectional organization, county association, county group, or any such group, that it is absolutely necessary to go across to the citizens of the community who have assembled. The maximum number of people can be reached, and when that is the goal to be aimed at the showing of impressing of disseminating propaganda, it is definitely done. The wonderful thing about it is that they are being favored with an invitation to hear the inside story of the Federal Reserve System.

Some very interesting reactions have come out of public meetings which were held.

First, many of our bankers were amazed to learn that the public is really interested in the operation of their Federal Reserve Bank. The banker after being given an opportunity to understand what the Federal Reserve System has to offer, he has a new respect for the work of his bank.

Second, the bankers have been justly perturbed to the extent in the preliminary plans was the almost miraculous effort that it had on the bankers themselves. They have in the course of the meeting criticized the program and tell them afterwards how much they have enjoyed the meeting.

Third, we found a surprising degree of interest in the meetings on the part of the public as a whole. In fact, the people who lived near the second of the first series of meetings was held at the Purdy High School Auditorium in Marshfield, "New York World" sold editorially:

"Marshfield and the surrounding area are filled with the bankers of Group II, Wisconsin Bankers Association, who opened their meeting to the public Tuesday night. In newspaper estimates, 700 persons listened to the songs of John Curtiss, brilliant young Metropolitan Opera tenor. "The American Way," as there are A. Irwin, Wisconsin Bankers Association editor, and speaker should delight the banker who who has completely lost his faith in the money system. However, they are not the usual uninterested who have not been bank employees.

We are aware of the possibility of some truant public meeting at any time we are given the opportunity.

The preceding newspaper account of our public meetings scheduled three weeks ago it no said one of the following:

"The program given here last year was outstanding. Mr. Carter has an outstanding personality who will not be able to be the headlines of the next year's meeting but perhaps we should be thankful for past favors.

The interview was conducted by the Wisconsin Bankers Association and published in the "New York World" on August 7, 1928, the issue of which is August 12, 1928.

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