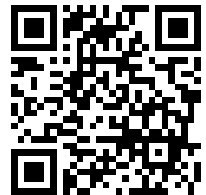


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THE

# BANKERS MAGAZINE

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The Stability of Florida

By John W. Martin  
Governor of Florida

Miami—The Magic City

By E. C. Romfh  
Mayor of Miami

What About Branch Banking?

Bank Windows of the South and West

Are the Mists Lifting in Europe?

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Securities Bought and Sold on Commission.

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Cable Transfers.

Circular Letters for Travelers, available in all parts of the world.

## The New York Trust Company

*Offers these*

*Services to*

*Banks,*

*Corporations*

*and*

*Individuals*

⌘

**M**ODERN, comprehensive commercial banking facilities, and a highly developed credit information service available to customers—

Foreign credit information, current data on foreign markets and trade opportunities, and other special conveniences for those engaged in foreign trade—

Exceptional facilities for the administration of personal and corporate trusts, developed through long experience covering the entire field of trust service.

**The New York Trust Company**

*Capital, Surplus and Undivided Profits, \$29,000,000*

100 Broadway

57th St. & Fifth Ave.

40th St. & Madison Ave.

**SEEKING NEW BUSINESS  
ON OUR RECORD**

**STATEMENT OF CONDITION**

*At the close of business, December 31, 1925*

**ASSETS**

|  |  |                  |
|--|--|------------------|
| Loans and Discounts . . . . .          |  | \$116,945,584.15 |
| U. S. Bonds and Certificates . . . . . |  | 6,043,258.75     |
| Other Bonds and Investments . . . . .  |  | 10,253,587.74    |
| Banking House . . . . .                |  | 1,500,000.00     |
| Acceptances . . . . .                  |  | 10,360,981.49    |
| Cash and Due from Banks . . . . .      |  | 53,702,383.13    |
| Other Assets . . . . .                 |  | 551,869.63       |
|  |  | \$199,357,664.89 |

**LIABILITIES**

|   |                  |                  |
|---|------------------|------------------|
| Capital Stock . . . . .                 | \$4,500,000.00   |                  |
| Surplus . . . . .                       | 16,500,000.00    |                  |
| Undivided Profits . . . . .             | 1,550,664.44     | \$22,550,664.44  |
| Reserved: Taxes, Interest, etc. . . . . |                  | 799,415.73       |
| Circulation . . . . .                   |                  | 349,997.50       |
| Acceptances . . . . .                   |                  | 12,594,865.01    |
| Other Liabilities . . . . .             |                  | 429,824.53       |
| Deposits:                               |                  |                  |
| Individuals . . . . .                   | \$116,872,955.68 |                  |
| Banks . . . . .                         | 45,759,942.00    | 162,632,897.68   |
|   |                  | \$199,357,664.89 |

**THE  
CHEMICAL  
NATIONAL  
BANK  
OF NEW YORK**

# THE NATIONAL PARK BANK

*of NEW YORK*

*Established 1856*

**214 BROADWAY**

*Uptown Offices*

**PARK AVENUE and 46th STREET**

**SEVENTH AVENUE and 32nd STREET**

## DIRECTORS

|                       |                         |
|-----------------------|-------------------------|
| Charles Scribner      | Joseph D. Oliver        |
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| Cornelius Vanderbilt  | Eugenius H. Outerbridge |
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| William Vincent Astor | Clarence Dillon         |

## Banking in all its branches

Commercial and Travelers' Credit issued; Correspondents in all principal Cities in the World. Foreign Exchange bought and sold. Corporate and Personal Trusts; Safe-keeping of Securities; Collection of Income. Investment Service for Customers. Safes in our Safe-Deposit Vaults at moderate rental.

**Capital, Surplus and Undivided Profits \$33,700,000**

Established 1846

# The Bankers Magazine

Published Monthly by

THE BANKERS PUBLISHING COMPANY

BOSTON

at 71-73 Murray Street, New York, N. Y.

CHICAGO

Elmer H. Youngman,  
EditorRichard F. Durham,  
Managing Editor

CABLE ADDRESS: "BANKMAG," NEW YORK

Volume CXII

JANUARY 1926

No. 1

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| <b>Florida—The Last Pioneer State of the Union</b> .....By Elmer H. Youngman  | 7    |
| The Editor of THE BANKERS MAGAZINE has recently spent two months in Florida, studying the situation. He finds that Florida has, up to this time been a backward state. Its sudden development is the cause of the present boom—that and its climatic advantages. There are still, in the state some 20,000,000 acres of uncultivated but productive land. This is the answer to the question "Will Florida's prosperity last?" History, topography, climate, soil, character of the people, transportation, and agricultural production are all discussed in this survey. |      |
| <b>The Stability of Florida</b> .....   | 53   |
| By Hon. John W. Martin<br>The Governor of Florida says the state is bound to have stability because it has a monopoly on some things the world wants—a desirable climate, and winter-grown fresh vegetables. Florida also has rich mineral deposits, valuable fisheries, and an enviable position for trade.  |      |
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| By T. J. Brooks<br>A brief survey by the director of the State Bureau of Immigration, who concludes that Florida's greatest asset is her 1,263,549 inhabitants.   |      |
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| By E. C. Romfh<br>Miami has grown from a population of 29,549 in 1920 to approximately 127,000 in 1925. Bank clearings increased over 475 per cent. in 1925, and passed the \$1,000,000,000 mark. This phenomenal growth is attributed by the Mayor of Miami to the convenience of Miami as related to the popular centers of the North.  |      |
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## Service

**T**HE service rendered by a financial institution is the chief factor in retaining customers.

In both our Banking and Trust Departments we are still serving many of the grandchildren and great-grandchildren of those who originally opened deposit or fiduciary accounts with us.

**Experience—Fidelity—Permanence**



## Bank of New York & Trust Co.

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

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48 Wall Street

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OVER A HUNDRED YEARS  
OF COMMERCIAL BANKING

## An Added Measure Of Responsibility



When the individual customer brings his business to us, he tells us personally just what he wants, and is at hand to obtain it directly.

But with our correspondent banks, our business is transacted at a distance. We feel, therefore, an added responsibility to see that every consideration and attention is given to their business.



## CHATHAM PHENIX NATIONAL BANK AND TRUST COMPANY

149 BROADWAY, corner LIBERTY STREET

NEW YORK CITY

RESOURCES

OVER A QUARTER BILLION DOLLARS



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*Comprehensive  
Foreign  
Banking  
Service*



1926

*Traveler's  
Checks  
Foreign  
Currency*

## 62 Years

**THIS** Company offers you its services based upon the experience gained during more than half a century of conservative activities.

- A general banking business.
- A commercial banking business including discounts, acceptances, etc.
- Foreign Exchange, Commercial and Traveler's Letters of Credit, etc.
- Acts as Executor, Trustee, Transfer Agent, Registrar of Stocks and in every Fiduciary Capacity.

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George W. Davison

*Board of Trustees*

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James Brown  
George W. Davison  
Johnston de Forest  
Richard Delafield  
Clarence Dillon

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NEW YORK

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42ND STREET OFFICE  
Madison Ave. & 42nd St.

*Capital, Surplus and Undivided Profits over 40 Million Dollars*

*Member Federal Reserve System*

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BANK  
OF THE CITY OF NEW YORK

Established 1851

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E. HAYWARD FERRY  
VICE-PRESIDENT

HENRY P. TURNBULL  
VICE PRESIDENT

WILLIAM E. CABLE, JR.  
CASHIER

SAMUEL WOOLVERTON  
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ASST. CASHIER

FOREIGN DEPARTMENT

WILLIAM B. SMITH  
ASST. CASHIER

WILLIAM H. SUYDAM  
VICE PRESIDENT  
AND MANAGER

WILLIAM H. ALLEN  
ASST. CASHIER

Capital \$5,000,000  
Surplus and Profits 25,000,000

The "Hanover" is New York Correspondent of over 4000 Banks

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Our all-year-round  
Special for Banks

*Superior Transit Service*

# Commerce Trust Company

Capital and Surplus \$8,000,000

Kansas City

## PUTTING *Your Problems* IN GOOD HANDS

The Coal & Iron National Bank has functioned for over twenty years as counsel to hundreds of correspondents on the question of security investments.

*Our Bond Department is ready to place its  
best judgment at your disposal*

*The*  
**COAL & IRON**  
**NATIONAL**  
**BANK**

OF THE CITY OF NEW YORK



## A tower of strength—*that wasn't*

**T**HE stone walls of the Tower of London stood, in bygone centuries, as symbols of security and strength.

Confidence in the security of the famous Tower was so complete in the days of Charles the First, that merchants and bankers put their monies in it for safekeeping.

All was well until King Charles, in a moment of financial stress, confiscated for his own use the entire £120,000 deposited in the Tower. This act quite destroyed a hitherto well-established banking custom! The merchants of London looked elsewhere for the protection of their funds.

In our present-day banking prac-

tice the physical protection of funds is safely taken for granted. The protection of broader financial interests however has become the special business of commercial banking institutions.

Each year opportunities to be of financial help to their customers come to such banks as the Seaboard. The list of responsibilities assumed by the Seaboard covers the extending of credit and making loans on all forms of sound collateral, giving impartial investment advice as well as conducting routine banking services.

To concerns whose soundness is in step with its own, the Seaboard offers an enduring business friendship.

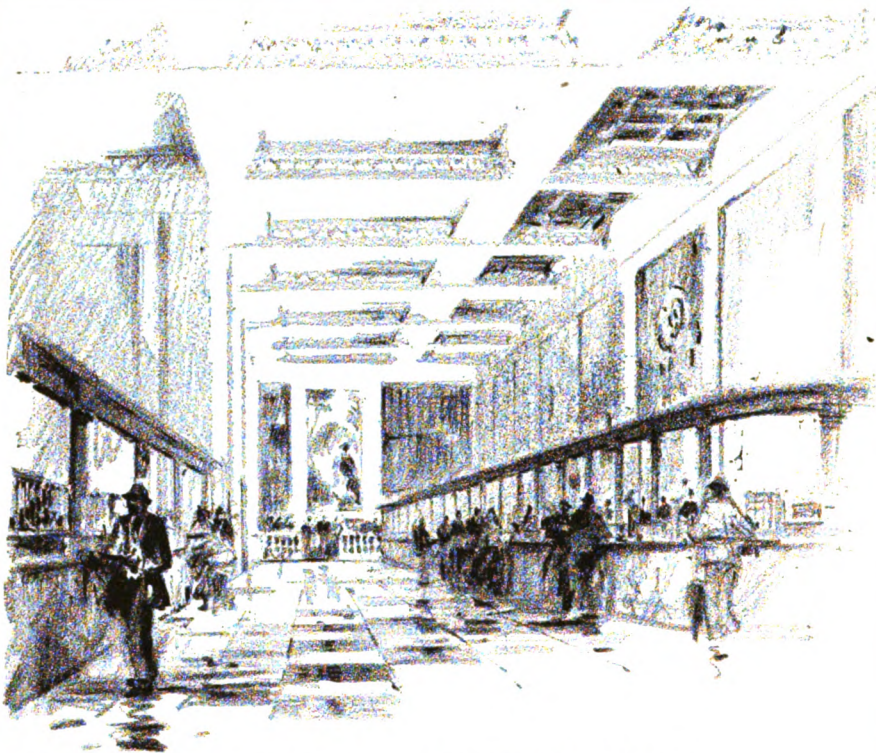
### THE SEABOARD NATIONAL BANK

*of the City of New York*

115 Broadway

Broad and Beaver Streets

24 East 45th Street



## Associate Yourself With This Great Commercial Bank

Its broad influence may be of direct personal benefit to you.

Its many-pointed contact with successful business men; its knowledge of markets, domestic and foreign; its alive credit information, will aid you in the building of your business.



Establish a connection with this bank, which can care for every phase of your financial interests.

### **CORN EXCHANGE NATIONAL BANK PHILADELPHIA**

**MAIN OFFICE**  
CHESTNUT ST. AT SECOND

**CENTRAL CITY OFFICE**  
1510-12 CHESTNUT

## The Publisher's Page

**T**HE rapidly increasing use of the instalment plan, its economic implications, its importance in relation to banking policy and practice and the responsibility of the modern bank in the checking or eliminating of instalment abuses, are questions discussed by James E. Moffat in his article "The Economics of the Instalment Plan," which will appear in the February number. The author of this article, which won third prize in THE BANKERS MAGAZINE Prize Contest, is a professor in the department of economics and sociology, Indiana University, Bloomington, Ind. Professor Moffat says in his conclusion that: "The final and decisive factor in the solution of the instalment problem must be found in the credit policy of the banks. If bankers insist upon sound business methods on the part of their clients as a pre-requisite to credit granting, the use of the instalment plan can be kept within reasonable and safe limits."



**I**N a timely and far-sighted article "American Capital Overseas," which received honorable mention in THE BANKERS MAGAZINE Prize Contest, and which will appear in an early number, Philip de Forceville of the Guaranty Company of New York points out why American investments abroad must logically increase, and comments on the value of investment trusts in this development, investing in selected common stocks of foreign industries. The author says: "At the end of the World War not only had the huge credits granted to European nations completely offset the American pre-war indebtedness, but they had made the United States a creditor nation to an amount in excess of \$10,000,000,000. . . . Assuming that foreign obligations will in time be duly met, what use is America going to make of her increasing surplus of capital? . . . The United States is today the world's creditor. Will American bankers endeavor to remain 'creditors' even while

secured in terms of dollars, or are they going to become 'owners?'"



**W**HEN Gilbert King, now manager of one of the offices of the American-Oriental Banks in China was in charge of the banking by mail department of the banks' head office in Shanghai, he became impressed with the inconvenience and risk of sending a pass book through the mail each time a savings deposit was made. After giving the matter careful thought, Mr. King devised a new form of account for conducting banking by mail business. The American-Oriental Banks have been using this form with marked success, and such has been the reception accorded it by the banks' depositors that Mr. King decided to pass the plan on to banks in the United States through the columns of THE BANKERS MAGAZINE. "Banking by Mail Without a Pass Book," an article descriptive of this ingenious new plan, will appear in the February number.



**I**N an article "Insurance Company Methods Applied to Banking" which will appear in the February number, the author, M. S. Wyche, says: "Bankers recognize the life insurance company as an institution which educates the people in the practice of thrift, making the money saved up of double value by lending it out on long time loans that make for progress and prosperity. . . . While bankers have placed their stamp of approval on the insurance companies by investing personally in the stock of such companies, it seems that few have stopped to consider that the methods used so successfully by the companies may, in many cases, be applied to banking. The life insurance man considers every man, woman and child a prospect for some kind of a life insurance policy, excepting of course, those who are physically, morally or mentally unsound. And he works his field both systematically and scientifically."

# THE BANK OF AMERICA

ESTABLISHED 1812

## Statement of Condition as of December 31, 1925

### RESOURCES

|   |                   |                         |
|---|-------------------|-------------------------|
| Cash and Due from Federal Reserve and other Banks . . . . . |                   | \$ 27,468,028.00        |
| Exchanges for Clearing House . . . . .                      |                   | 110,174,307.26          |
| Loans and Discounts . . . . .                               |                   | 75,411,354.47           |
| Securities . . . . .  |                   | 4,824,566.17            |
| Banking Houses . . . . .                                    |                   | 2,914,272.00            |
| Customers' Liability on Acceptances . . . . .               | \$13,088,684.60   |                         |
| Less Anticipations . . . . .                                | <u>875,741.35</u> | 12,212,943.25           |
| Customers' Liability under Letters of Credit . . . . .      |                   | 4,228,809.99            |
| Accrued Interest Receivable . . . . .                       |                   | <u>302,727.70</u>       |
|   |                   | <u>\$237,537,008.84</u> |

### LIABILITIES

|  |                     |                         |
|--|---------------------|-------------------------|
| Capital Stock . . . . .                          | \$6,500,000.00      |                         |
| Surplus and Undivided Profits . . . . .          | <u>5,066,881.51</u> | \$11,566,881.51         |
| Dividend No. 158, payable Jan. 2, 1926 . . . . . |                     | 195,000.00              |
| Deposits . . . . .                               |                     | 208,126,451.48          |
| Acceptances Outstanding . . . . .                |                     | 13,088,684.60           |
| Letters of Credit . . . . .                      |                     | 4,228,809.99            |
| Unearned Discount . . . . .                      |                     | 260,775.13              |
| Accrued Interest Payable . . . . .               |                     | <u>70,406.13</u>        |
|  |                     | <u>\$237,537,008.84</u> |

Dividends paid since 1812 exceed \$31,000,000



#### MANHATTAN

44 Wall Street, corner William  
257 Broadway, opposite City Hall  
21 East 40th St., at Madison Ave.  
8 Broadway, Produce Exch. Bldg.

#### BROOKLYN

166 Montague Street, corner Clinton  
569 Fulton Street, opp. Hanover Place  
934 Third Ave., in Bush Terminal  
41 Washington Ave., cor. Flushing Ave.

NEW YORK

# CHARACTER

The standing of a financial institution is reflected in the character of those with whom it does business.

We are proud to number among our correspondents the leading banks and trust companies both here and abroad.

In choosing a correspondent choose strength, service—and character.

THE  
PHILADELPHIA  
NATIONAL  
BANK

Capital, Surplus, and Profits \$17,000,000



## When in Philadelphia

CONSIDER the Advantages of Day and Night Banking Service at Five Conveniently-located Points Throughout the City.

THIS is a service of inestimable value to busy men and women, making it possible for them to attend to banking matters in comfort after usual banking hours.

Commuters and those who have frequent occasion to visit Philadelphia will find the maintenance of an account of practical advantage—at our Main Office, Fifteenth and Chestnut Streets or at any of our branches.

Capital and Surplus  
\$3,750,000

Resources, over  
\$33,000,000

## Franklin Trust Company

S. W. Cor. Fifteenth & Chestnut Sts.

PHILADELPHIA

West Phila. Office  
52nd & Market Sts.

Front St. Office  
Front & Market Sts.

Germantown Office  
5708 Germantown Ave.

Frankford Office  
Frank'd Ave. & Paul

# DRESDNER BANK



*Head Office:*

**BERLIN W 8**

**Behrenstrasse 35-39**



*Branches in about 100 towns,  
including*

**Aachen, Bremen, Breslau,  
Dresden, Düsseldorf, Essen,  
Frankfort a/M, Hamburg,  
Köln, Leipzig, Lübeck,  
München, Stettin, Wiesbaden  
Danzig Bucharest**

*Telegrams: Dresdbank*

**Amsterdam:**

**PROEHL & GUTMANN**

*Telegrams: Dresdagent*



**W**ITH a clientele embracing every line of business and a board of directors composed of leaders in every branch of commerce and industry, the Illinois Merchants Trust Company has an unusually intimate contact with modern American business.

Our officers consequently have a wide experience and are peculiarly fitted to give effective and intelligent attention to the needs of our correspondent banks.

*Capital and Surplus • Forty-Five Million Dollars*

## **ILLINOIS MERCHANTS TRUST COMPANY**

*A consolidation of the Illinois Trust & Savings Bank,  
The Merchants Loan & Trust Company and  
The Corn Exchange National Bank*

LA SALLE, JACKSON, CLARK AND QUINCY STREETS • CHICAGO



# THE FOREMAN BANKS

FOUNDED 1862

We invite your business on a 64-year record of continuous growth. We are fully equipped to serve you in every banking function.

## The Foreman National Bank

*The Foreman Trust and Savings Bank*

La Salle and Washington Sts., Chicago

*Combined Capital, Surplus and Undivided Profits exceed*

**\$10,000,000**



*Main Office*  
Fifth Ave. at 32nd Street

## The Bank of United States

Member Federal Reserve System

Resources Over  
**\$75,000,000**

DEPOSITORY FOR  
United States Postal Savings Funds  
State of New York                      City of New York

*Foreign Exchange*

*Domestic and Foreign Letters of Credit Issued*

The steady and consistent growth of this bank is evidence of its constant attention to every detail of banking service. A thoroughly organized foreign department is equipped to handle all classes of foreign financial transactions.

**Accounts of Banks and Bankers Invited**



*Chartered 1836*

## *A Trust Service for Financial Institutions*

**I**N addition to the usual banking facilities offered to its clients, this Company as correspondent for financial institutions places at their disposal the assistance of its Trust Department.

Due to the large amount of trusts in care of the Company and by virtue of the wide and varied Trust experience built upon nearly a century of trust service, the personnel of the Trust Department is well qualified to assist banking clients with their trust problems.

It follows that a trust company or bank maintaining a trust department to which we may be of service may profitably consider this institution as a reserve depository for its funds.

*Individual Trust Funds* \$400,000,000  
*Corporate Funds* - \$1,521,000,000

---

**GIRARD TRUST COMPANY**  
BROAD AND CHESTNUT STREETS • PHILADELPHIA

---



**F**OR one hundred and eleven consecutive years the Pennsylvania Company has unfailingly paid a dividend, despite the wars, crises and financial upheavals through which the country and the world have passed.

This institution, chartered in 1812, has through its integrity and enterprise steadfastly proven its capacity for the highest responsibilities.

Since 1872 the Pennsylvania Company has devoted its entire attention to Banking, Trust and Safe Deposit business. Today the Capital, Surplus and Undivided Profits of the Company amount to over \$20,000,000.

## The Pennsylvania Company

for Insurances on Lives and Granting Annuities

PACKARD BUILDING, PHILADELPHIA

Equipped to Meet Every Banking Need

Main Office  
S. E. Cor. 15th & Chestnut Streets

Down Town Office  
517 Chestnut Street

# Detroit—



The Peoples State Bank with its large resources has aided greatly in the development of Detroit's citizens and industries.

May we serve your banking needs, in this, the most prosperous city in the world.



## THE PEOPLES STATE BANK

Member Federal Reserve Bank

DETROIT, MICHIGAN

Branches Throughout Detroit

RESOURCES OVER \$150,000,000



## The A B C

of international banking is provided through our 61 branches and offices distributed as follows:

**Argentina Brazil Chile**

and throughout the Americas, France, Spain and England

**Anglo-South American Bank, Ltd.**

and its affiliations

**British Bank of South America**

and

**Commercial Bank of Spanish America**

Represented by

**THE ANGLO-SOUTH AMERICAN  
TRUST COMPANY**

Incorporated under the laws of the State of New York

**49 Broadway, New York**

NORMAN C. STENNING, President

# A Massachusetts Fiduciary Qualified by 48 years' experience

Practically every kind of Trust problem that may arise has been met and solved by this Company during its 48 years' experience. We have handled hundreds of Estates.

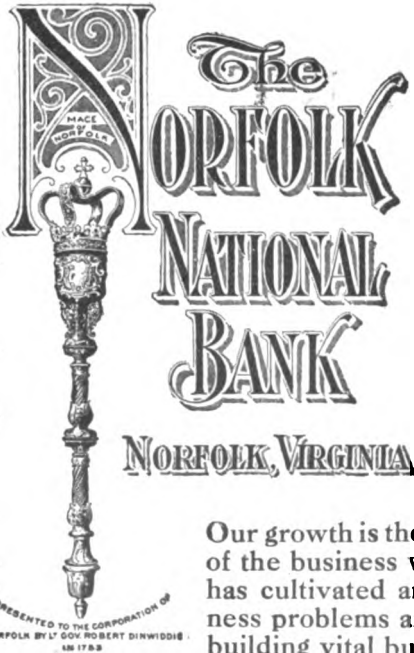
We cordially invite individuals and corporations who require fiduciary service in Massachusetts to correspond with the President or other officers of this Company.

## BOSTON SAFE DEPOSIT & TRUST COMPANY

100 FRANKLIN STREET

At ARCH and DEVONSHIRE STREETS

Boston



Organized 1885

UNITED STATES DEPOSITORY

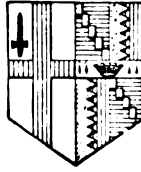
Capital . . . . \$1,000,000  
Surplus and Profits \$1,310,000

- W. A. GODWIN . . . . . President
- A. B. SCHWARZKOPF . . . . . Vice-President
- J. B. DEY, Jr. . . . . Vice-President and Cashier
- C. S. WHITEHURST . . . . . Vice-President
- I. T. VAN PATTEN . . . . . Asst. Cashier
- E. D. DENBY . . . . . Asst. Cashier
- R. H. MOORE . . . . . Asst. Cashier
- H. B. REARDON . . . . . Auditor

*The Oldest National Bank  
in Eastern Virginia*

CORRESPONDENTS—National City Bank, New York; National Bank of Commerce, New York; Fourth Street National Bank, Philadelphia; Philadelphia National Bank, Philadelphia; National Shawmut Bank, Boston; Merchants National Bank, Baltimore.

Our growth is the direct result of the confidence of the business world in our bank—a bank that has cultivated an intimate appreciation of business problems and has tried to be helpful in up-building vital business interests of our country.



## A Complete Banking Service

The Midland Bank offers exceptional facilities for the transaction of banking business of every description. Together with its affiliations it operates 2,250 branches in Great Britain and Northern Ireland, and has agents and correspondents in all parts of the world. The Bank has offices in the Atlantic Liners *Aquitania*, *Berengaria* and *Mauretania*, and a foreign branch office at 196 Piccadilly, London, specially equipped for the use and convenience of visitors in London.

# MIDLAND BANK

LIMITED

**HEAD OFFICE: 5 THREADNEEDLE STREET, LONDON, E.C. 2**

Affiliated Banks: Belfast Banking Co. Ltd., Northern Ireland; The Clydesdale Bank Ltd., and North of Scotland Bank Ltd., Scotland.



# GLYN, MILLS & Co.

(Established 1753.)

Registered with unlimited liability 1885.

Incorporating

**Child & Co.** — and — **Holt & Co.**  
(Established before 1600) (Established 1809)

### BANKERS

Army and Air Force Agents

Navy and Prize Agents

*Managing Partners*

LORD WOLVERTON

LAURENCE CURRIE

LORD HILLINGDON

General The Hon. Sir H. A. LAWRENCE, K.C.B.

Brigadier-General A. MAXWELL, C.B., C.M.G., D.S.O.

ERIC CORE BROWNE, D.S.O.

FREDERICK WILLIAM FANE

*Head Office: 67, LOMBARD STREET, LONDON, E. C. 3*

*Childs Branch: 1, FLEET STREET, LONDON, E. C. 4*

*Holts Branch: 3 & 4, WHITEHALL PLACE, LONDON, S. W. 1*

The Bank, which is represented by Agents and Correspondents in all the principal Cities and Towns of the United Kingdom and throughout the World, conducts every description of Banking business, both British and Foreign.

Letters of Credit issued.

Home and Foreign Credits established.

Executorships and Trusteeships undertaken.



ESTABLISHED 1832

## Banking Service in Canada, Newfoundland and West Indies

With 265 branches in Canada, 18 in Newfoundland, 10 in Jamaica and 9 in Cuba, Porto Rico and the Dominican Republic, we are well equipped to handle the accounts of banks and corporations wishing to do business with these points.

**Capital Paid-Up - - \$10,000,000**  
**Reserve Fund - - \$19,500,000**  
**Total Assets over - \$220,000,000**

# The Bank of Nova Scotia

**GENERAL MANAGER'S OFFICE: TORONTO, ONT.**  
 J. A. McLEOD, General Manager

**NEW YORK AGENCY - - - - 49 WALL STREET**  
 P. W. MURPHY and F. W. MURRAY, Agents

**LONDON BRANCH: 108 Old Broad St., E. C. 2**

### CORRESPONDENTS

**LONDON, ENG.—Midland Bank Limited, Bank of England,  
 Royal Bank of Scotland**  
**NEW YORK—Bank of New York & Trust Co.  
 National Bank of Commerce in New York**

*Facilitate Your Canadian Collections*

# THE BANK OF TORONTO

Incorporated 1855

Offers to Banks and Business Houses in the United States and Foreign countries prompt, accurate, satisfactory service through its branches at

*Toronto, Ontario Montreal, Quebec Winnipeg, Manitoba  
Calgary, Alberta Vancouver, British Columbia*

Each of these offices handles items drawn on any point in Canada

## *Correspondence Invited*

Close rates of exchange are given on amounts transferred

Interest allowed on balances

Capital  
\$5,000,000



Reserves  
\$7,000,000

—  
**JOHN R. LAMB**  
*General  
Manager*

—  
Branches or agents at  
all important points  
in the Dominion.

*Head Office: TORONTO, CANADA*

# HARRIS, FORBES & CO

Successors to N. W. HARRIS & CO., New York

Pine Street, Corner William  
NEW YORK

## BONDS FOR INVESTMENT

Harris, Forbes & Company  
Incorporated  
Boston

Harris Trust & Savings Bank  
Bond Department  
Chicago



# The Royal Bank of Canada



Head Office  
MONTREAL

## Statement to the Dominion Government (Condensed) November 30, 1925

### LIABILITIES

|   |                         |
|---|-------------------------|
| Capital Paid up .....                               | \$ 24,400,000.00        |
| Reserve Fund .....                                  | 24,400,000.00           |
| Undivided Profits .....                             | 1,249,435.32            |
| Dividend No. 153, payable 1st. December, 1925 ..... | 732,000.00              |
| Bonus 2%, payable 1st. December, 1925 .....         | 488,000.00              |
| Notes in Circulation .....                          | 41,496,573.74           |
| Deposits .....                                      | 641,689,941.14          |
| Due to other Banks .....                            | 16,185,098.27           |
| Bills Payable (Acceptances by London Branch) .....  | 7,827,741.29            |
| Letters of Credit outstanding .....                 | 30,059,988.67           |
|   | <hr/>                   |
|   | <b>\$788,478,778.43</b> |

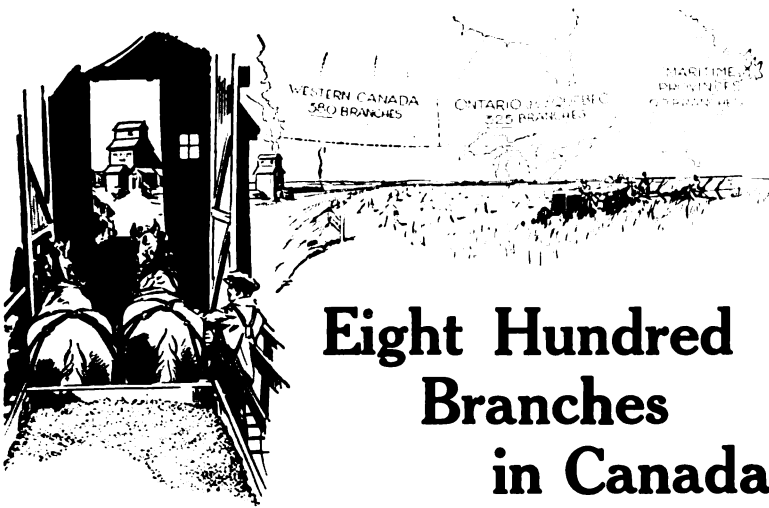
### ASSETS

|  |                         |
|--|-------------------------|
| Cash on Hand and in Banks .....  | \$178,314,647.03        |
| Deposits in the Central Gold Reserves .....                                | 20,000,000.00           |
| Government and Municipal Securities .....                                  | 110,652,645.54          |
| Railway and other Bonds, Debentures and Stocks .....                       | 16,630,772.26           |
| Call Loans in Canada .....   | 33,814,538.47           |
| Call Loans elsewhere than in Canada .....                                  | 38,691,331.97           |
|  | <hr/>                   |
|  | <b>\$398,108,935.27</b> |
| Loans and Discounts .....  | 339,742,659.17          |
| Liabilities of Customers under Letters of Credit as per<br>contra .....    | 30,059,988.67           |
| Bank Premises .....  | 15,618,072.99           |
| Real Estate other than Bank Premises .....                                 | 2,558,945.44            |
| Mortgages on Real Estate sold by the Bank .....                            | 955,176.89              |
| Deposit with Dominion Government for Security of Note<br>Circulation ..... | 1,440,000.00            |
|  | <hr/>                   |
|  | <b>\$788,478,778.43</b> |

900 BRANCHES IN CANADA, NEWFOUNDLAND, WEST INDIES, CENTRAL  
and SOUTH AMERICA, also LONDON, NEW YORK, and BARCELONA

Auxiliary: THE ROYAL BANK OF CANADA (France)

New York Office: 68 WILLIAM STREET



## Eight Hundred Branches in Canada

**I**N view of the good crop which has been harvested in the Canadian West, it is of importance to manufacturers, wholesalers and all other business interests to know that we provide banking service at 380 points in Western Canada.

With the largest number of branches in the Dominion and over 100 abroad, this Bank offers unequalled facilities for handling collection business.

# The Royal Bank of Canada

*Resources exceed 760 Million Dollars*

New York Office - - 68 William Street

Established 1875

# Imperial Bank of Canada

HEAD OFFICE, TORONTO

Capital (Paid Up) . . . \$7,000,000

Reserve Fund . . . . . 7,500,000

PELEG HOWLAND, PRESIDENT

SIR JAMES WOOD, VICE-PRESIDENT

A. E. PHIPPS, GEN. MANAGER G. D. BOULTON, ASST. GEN. MANAGER

H. T. JAFFRAY, ASST. GEN. MANAGER

**Agents and Correspondents****UNITED STATES**

New York—Bank of the Manhattan Co.  
 Boston—National Shawmut Bank.  
 Philadelphia—Fourth St. National Bank  
 Buffalo—Marine Trust Co.  
 Chicago—First National Bank.  
 San Francisco—Wells Fargo Bank &  
 Union Trust Co.  
 Seattle—Seattle National Bank.  
 Minneapolis—First National Bank.

**GREAT BRITAIN and IRELAND**

England—Lloyds Bank, Limited.  
 Scotland—The Commercial Bank of Scot-  
 land.  
 Ireland—Northern Banking Co., Limited,  
 Belfast, and Branches.

**FRANCE, BELGIUM and SWITZERLAND**

Lloyds & National Provincial Foreign  
 Bank, Ltd.

Having as its correspondents the largest and strongest banks throughout the world, the Imperial Bank of Canada is in a position to afford the most efficient banking service.

With 212 branches in Canada our facilities for handling business throughout the Dominion are unexcelled.

## Bank of Liverpool & Martins Limited.

Head Office: 7, WATER STREET, LIVERPOOL.

London Office: 68, LOMBARD STREET, LONDON, E.C. 3.

|  |        |              |
|--|--------|--------------|
| Capital Subscribed .....                 | \$5=£1 | \$93,955,600 |
| Capital Paid Up .....                    |        | 11,744,450   |
| Reserve Fund and Surplus Profits.....    |        | 9,209,310    |
| Deposits, etc., at 30th June, 1925 ..... |        | 290,254,305  |

375 BRANCHES AND SUB-BRANCHES.

*All descriptions of Banking, Trustee and Foreign  
 Exchange Business Transacted.*

The Bank is prepared to act as Agents for Foreign Banks  
 on usual Terms.

# Banca Nazionale di Credito

Capital - - Lit. 300,000,000

HEAD OFFICE: MILAN, ITALY

Over 60 Branches and Agencies Throughout Italy

Correspondents  
in all the Principal Cities of the Kingdom

Every Description of Domestic and International  
Banking Business Transacted

Special Travelers' Letters of Credit and  
Money Order Departments

*Inquiries and Correspondence Solicited*

## AFFILIATED BANKS

BANQUE ITALO-FRANCAISE DE CREDIT  
Paris                      Marseilles                      Tunis

ITALIAN DISCOUNT & TRUST COMPANY  
New York City

BANCO ITALO-EGIZIANO  
Alexandria                      Beni-Mazar                      Beni-Suef  
Cairo                      Fayum                      Mansura  
Mit-Ghamr                      Port Said                      Tantah

BANCA DALMATA DI SCONTO  
Zara                      Sebenico

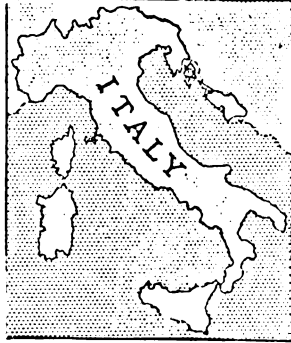
BANCA COLONIALE DI CREDITO  
Asmara                      Massaw

# In Every Important Italian Market

**I**N EIGHTY commercial and industrial centers of Italy a branch of the Banca Commerciale Italiana performs all the functions of a local bank, with its services closely interwoven with the business affairs of the community it serves.

The New York Agency of this institution, therefore, brings to American bankers and business men an intimate knowledge of Italian commerce and industry obtained by constant and direct relationship with these

eighty Italian business centers. Foreign branches and affiliations extend our service to England, France, Switzerland, Poland, Czecho-Slovakia, Austria, Hungary, Roumania, Jugoslavia, Bulgaria, Turkey and throughout South America. Facilities thus provided for American foreign trade are of exceptional breadth and scope.



## Banca Commerciale Italiana

Head Office, MILAN, ITALY

Authorized Capital Lire 700,000,000

Surplus Lire 300,000,000

**NEW YORK AGENCY, 62-64 WILLIAM STREET**

Telephone John 1000

*Recently organized*

## Banca Commerciale Italiana Trust Company

Capital \$1,000,000

Surplus \$500,000

**62-64 WILLIAM STREET, NEW YORK**

Telephone John 4666

*All Banking Facilities*

**A Native Bank in Peru**  
**for all Banking Operations**  
**BANCO ITALIANO**

LIMA, PERU

Established 1889

Capital Fully Paid Lp. 500,000,000

Surplus . . . Lp. 589,553,670

**BRANCHES**

Callao—Arequipa—Chincha Alta—Mollendo—Trujillo

Representatives for the U. S. A.

**Banca Commerciale Italiana**

Agency in New York . . . 62-64 William Street

Phone: John 1000



**Commerz-und Privat-Bank**  
**Aktiengesellschaft**

(Established 1870)

**HAMBURG-BERLIN**

and

Two hundred twenty other places throughout Germany

*Capital and Surplus, R.M. 63,000,000***All Banking Transactions***Extensive Trade Information Service*

Cable address for main offices and branches

"HANSEATIC"

**Austin National Bank**

AUSTIN, TEXAS

Capital \$300,000

Surplus and Profits \$726,000

Resources \$8,622,663

WM. H. FOLTS, President  
 JOHN H. CHILES, Vice-President    MORRIS HIRSHFELD, Vice-President  
 T. H. DAVIS, Vice-President        C. M. BARTHOLOMEW, Vice-Pres. & Cashier  
 S. B. ROBERDEAU, Asst. Cashier    LEFFLER CORBITT, Asst. Cashier

This old established bank is thoroughly equipped in every department. Its strong financial position, efficient management and reputation commend it to banks, bankers and individuals requiring a good banking connection at the capital of the Union's largest State.

We are at the center of an Empire of Business and would like to represent you here

# The National Bank of New Zealand, Ltd.

Authorized Capital, \$30,000,000  
 Subscribed Capital, \$22,500,000  
 Paid-up Capital, \$ 7,500,000  
 Reserve Fund, \$ 7,350,000

## Head Office

8 Moorgate Street, London, E.C. 2

Manager, ARTHUR WILLIS

## Chief Office

In New Zealand at Wellington

General Manager, ALFRED JOLLY



83 Branches and Agencies Throughout New Zealand.

Bills of Exchange Collected. Wool and Produce Credits Arranged.  
 All Classes of Banking Business Undertaken.

# BARCLAYS BANK (DOMINION, COLONIAL AND OVERSEAS)

Head Office: 54 LOMBARD STREET, LONDON, E.C.3.

Formerly

## THE COLONIAL BANK

Incorporated in 1838 by Royal Charter.  
 Reincorporated by Act of Parliament, 1925.  
 with which is amalgamated

## THE ANGLO-EGYPTIAN BANK LIMITED

London Offices:

29 Gracechurch Street, E.C.3, for business in the British West Indies, British Guiana, and West Africa.

37 to 39 King William Street, E.C.4, for business in Egypt, the Soudan, Palestine, and the Mediterranean.

Other Offices:

Liverpool - - - 25 Castle Street. New York Agency, 3 So. William Street.  
 Manchester - - - 21 York Street. Hamburg - - - Adolphsplatz 4.

Arrangements are in course of completion for amalgamation with

## THE NATIONAL BANK OF SOUTH AFRICA LIMITED

The necessary Resolutions having been passed by the Shareholders of that Institution on the 2nd November, 1925.

London Offices:

Circus Place, London Wall, E.C.2. 111 St. Martin's Lane, Trafalgar Square, W.C.2.  
 New York Agency:

44 Beaver Street, New York City.

And Branches in the Transvaal, Cape Province, Natal, Orange Free State, Rhodesia, Swaziland, Portuguese East Africa, Basutoland, South West Africa, Tanganyika, Nyassaland, Kenya Colony, and the Mauritius.

The Bank is prepared to act as Agent for Home, Colonial, and Foreign Banks



# THE BANK OF TAIWAN, LTD.

Incorporated by Special Imperial Charter, 1899

**Head Office: TAIPEH, JAPAN**

Capital Subscribed.....Yen 60,000,000  
 Capital Paid Up.....Yen 52,500,000  
 Reserve Funds.....Yen 14,180,000

**KOJURO NAKAGAWA, Esq.**  
 President

**HIROZO MORI, Esq.**  
 Vice-president

**Directors**

**GUNJI KAWASAKI, Esq.**  
**DENKICHI TAKITA, Esq.**

**TADASU HISAMUNE, Esq.**  
**MASAKAZU SHUTO, Esq.**

**Branches :**

**JAPAN**—Tokyo (General Manager's Office), Kobe, Osaka, Yokohama.  
**TAIWAN**—Giran, Heito, Kagi, Karenko, Keelung, Mako, Nanto, Shinchiku, Taichu, Tainan, Takao, Taito, Toyen.  
**CHINA**—Amoy, Canton, Foochow, Hankow, Shanghai, Swatow.  
**OTHERS**—Hongkong, London, New York, Singapore, Semarang, Soerabaia, Batavia, Bombay, Bangkok, Calcutta, Dairen.

**New York Office: 165 Broadway**

**K. YAMAMOTO, Agent**

**London Office: 25 Old Broad Street**

Cable Transfers, Drafts, and Letters of Credit issued; the Negotiation and Collection of Bills of Exchange and other Banking Business transacted through our various Branches as well as correspondents in all parts of the world; offers exceptional facilities for handling transactions in the Far East.



# The Sumitomo Bank, Limited

Cable address: "Sumitbank" ESTABLISHED 1912  
(Successors to The Sumitomo Bank)

Capital Subscribed . . . . . Yen 70,000,000  
Capital paid up . . . . . " 50,000,000



**Head Office : OSAKA, JAPAN**

**BARON K. SUMITOMO, President**

**K. YUKAWA, Esq., Managing Director N. YATSUSHIRO, Esq., Managing Director**  
**S. IMAMURA, Esq., Managing Director**

**New York Agency, 149 Broadway, New York**  
**G. HIGASHI, Agent**

**HOME OFFICES**

|             |            |               |          |           |          |
|-------------|------------|---------------|----------|-----------|----------|
| Osaka (12)  | Tokyo (15) | Yokohama      | Kobe (3) | Kyoto (2) | Niigata  |
| Shimonoseki | Moji       | Hiroshima (2) | Hakata   | Yanai     | Onomichi |
| Kurume      | Kure       | Wakamatsu     | Kokura   | Nagoya    | Kumamoto |
|             |            |               |          |           | Okayama  |

**Foreign Branches**—Shanghai, New York, London, Hankow, San Francisco, Los Angeles, Bombay  
**Affiliated Banks**—The Sumitomo Bank of Hawaii, Ltd., Honolulu, T. H.; The Sumitomo Bank of Seattle, Seattle, Wash.; and The Sumitomo Bank of California, Sacramento, Cal.

**Bankers**—National City Bank of New York, New York;

Lloyds Bank, Ltd. London; Lloyds & National Provincial Foreign Bank, Ltd., Paris.

**Correspondents in All Important Places at Home and Abroad**

The Bank buys, sells and receives for collection drafts and telegraphic transfers; issues Commercial and Travellers Letters of Credit available in all important parts of the world, and acts as Trustee for Mortgage Bond, besides doing general Banking Business.

# THE MITSUI BANK, LTD.

Capital Subscribed . . . . . Yen 100,000,000.00  
Capital Paid-Up . . . . . Yen 60,000,000.00  
Reserve Funds (June 1925). . . . . Yen 51,400,000.00



**Head Office : TOKYO, JAPAN**

(No. 5 Honkawayacho, Nihonbashi-ku)

*President*

**G. MITSUI, Esq.**

*Managing Directors*

**S. IKEDA, Esq.**

**N. KIKUMOTO, Esq.**

**H. KAMESHIMA, Esq.**

**R. IMAI, Esq.**

**New York Agency, 61 Broadway, New York City**

*Home Branches :*

Fukuoka, Hiroshima, Kobe, Kyoto, Marunouchi (Tokyo), Moji, Nagasaki, Nagoya, Nihonbashi (Tokyo), Osaka (4), Otaru, Shimonoseki, Wakamatsu (Kyushu), Yokohama

*Foreign Branches :*

Bombay London New York Shanghai Sourabaya

# The Bank of Chosen

Incorporated by Special Charter of Imperial Japanese Government, 1909

|                          |   |                 |
|--------------------------|---|-----------------|
| Capital Subscribed . . . |  | Yen 80,000,000  |
| Capital Paid-Up . . .    |   | Yen 50,000,000  |
| Total Resources . . .    |   | Yen 660,000,000 |

## Head Office, Keijo (Seoul), Chosen (Korea)

Governor, K. NONAKA

Deputy Governor, S. SUZUK'

Y. KATAYAMA

Directors  
I. IUCHI

M. HASHIMOTO

### FOREIGN DEPARTMENT: TOKYO

(All communications relating to the arrangements of correspondents and the Bank's general foreign business to be addressed to the Foreign Department)


#### Principal Branches:

**CHOSŌN:** (*Korea*) Chemulpo, Pyengyang, Wonsan, Fusan, Taiku.  
**MANCHURIA:** Mukden, Dairen, Changchun, Newchang, Harbin, Antung.  
**JAPAN:** Tokyo, Osaka, Kobe, Shimonoseki.  
**CHINA:** Shanghai, Tsingtao, Tientsin, Tsinan.  
**SIBERIA:** Vladivostok.

**New York Agency, 165 Broadway**  
 H. YAMASHITA, Agent

# The Kajima Bank, Limited

Established in 1888

|                          |   |                   |
|--------------------------|---|-------------------|
| CAPITAL SUBSCRIBED       |  | Yen 30,200,000.00 |
| CAPITAL PAID UP . . .    |   | 18,875,000.00     |
| RESERVE FUNDS . . .      |   | 5,900,000.00      |
| DEPOSITS (June 30, 1925) |   | 172,915,129.34    |

|  |  |
|--|--|
| <b>Keizo Hirooka, Esq., President</b>            | <b>Chusuke Yoshii, Esq., Managing Director</b> |
| <b>Yukinori Hoshino, Esq., Managing Director</b> | <b>Seijiro Gion, Esq., Director</b>            |
| <b>Seishichi Kawakami, Esq., Managing Dir.</b>   | <b>Tadanosuke Emura, Esq., Director</b>        |
| <b>Hikataro Ohmura, Esq., Director</b>           | <b>Kyuemon Hirooka, Esq., Auditor</b>          |
| <b>Shikazo Sato, Esq., Director</b>              | <b>Kin-ichiro Hoshijima, Esq., Auditor</b>     |
| <b>Manroku Matsui, Esq., Auditor</b>             |  |

## Head Office, Osaka, Japan

#### Principal Branches:

Tokyo Kyoto Kobe Okayama Hiroshima Fukuyama Tokuyama

**General Banking, Foreign Exchange and Trust  
 Business Transacted**

#### New York Correspondents

Yokohama Specie Bank, Ltd.  
 Bank of Taiwan, Ltd.  
 American Express Co.  
 Irving Bank-Columbia Trust Co.  
 Guaranty Trust Company of New York

#### London Correspondents

Yokohama Specie Bank, Ltd.  
 Bank of Taiwan, Ltd.  
 Midland Bank Ltd.  
 Bank of London and South America, Ltd.

# SKANDINAVISKA KREDITAKTIEBOLAGET

Established in 1864

GOTHENBURG      STOCKHOLM      MALMÖ

Branches  
In All Parts of Sweden

PAID-UP CAPITAL AND RESERVES  
KR. 182,000,000

Telegraphic Address: Kreditbolaget

Foreign Exchange bought and sold, bills collected, deposit  
and current accounts opened and all kinds of banking  
business transacted

## Commercial Bank of Greece

(A Limited Liability Company registered in Athens)

*Head Office: Athens*

*Branches: Piraeus, Argos, Pyrgos, Patras, Corfou, Cephalonia, Nauplie,  
Vostizza, Calamata, Syra, Chio, Candia, Volo, Salonica, Larissa,  
Triccala, Mytilene, Canea, Zante, Plomari and Tripolitza*

*ASSOCIATED BANK in LONDON*

### The Commercial Bank of The Near East, Ltd.

4 London Wall Buildings, E. C. 2

*with branch in CONSTANTINOPLE*

*Correspondents in the principal towns of Greece and in foreign countries  
throughout the world*

**GENERAL BANKING BUSINESS TRANSACTED**

Collections, Letters of Credit, Cable Transfers, Current  
and Term Deposits, Etc.

**Capital and Reserves . . . Dr. 58,106,143**

of the above Dr. 25,000,000 are represented by assets of £1,000,000 evaluated at Dr. 25

# Nederlandsche Handel-Maatschappij.

(NETHERLANDS TRADING SOCIETY).

Established by Royal Charter A.D. 1824.

Capital Paid up.....f.80,000,000 Neth. Currency (£6,666,666)  
 Statutory Reserve Fund.....f.20,536,861 “ “ (£1,711,405)  
 Extraordinary Reserve Fund f.22,660,000 “ “ (£1,888,333)

Head Office: AMSTERDAM.

Branches in HOLLAND: ROTTERDAM, THE HAGUE.

Branches in the NETHERLANDS INDIES: BATAVIA, SOURA-BAYA, SAMARANG, MEDAN, and further Principal Ports.

Branches in the STRAITS SETTLEMENTS, BRITISH INDIA, CHINA and JAPAN: SINGAPORE, PENANG, RANGOON, CALCUTTA, BOMBAY, HONGKONG, SHANGHAI and KOBE.

Grant Drafts and Issue Letters of Credit on all their Branches and Correspondents in the East, on the Continent, on Great Britain, Africa, America and Australia, and transact Banking Business of every description.

LONDON CORRESPONDENTS :

The National Provincial Bank, Ltd., LONDON.

# The Union Bank of Australia, Limited

Established 1837. Incorporated 1880.

Capital Authorized and Issued.....£9,000,000  
 Capital Paid-Up .....£3,000,000  
 Reserve Fund .....£3,350,000  
 Reserve Liability of Proprietors £6,000,000

Head Office—71, CORNHILL, LONDON, E. C. 3

Manager—W. J. ESSAME      Assistant Manager—W. A. LAING  
 Secretary—F. H. McINTYRE

198 Branches throughout Australia and New Zealand, viz.:

In Victoria, 47; In South Australia, 15; In New South Wales, 43; In Western Australia, 20; In Queensland, 19; In Tasmania, 3; In New Zealand, 46.

Agents and Correspondents in all parts of the World

The Bank offers facilities for the transaction of every description of Banking business in Australia and New Zealand.

Bills negotiated or sent for collection. Commercial and Circular Credits issued available throughout the World.

# Let us send you the most interesting banking biography—



The late James B. Forgan

The Table of Contents includes: Preface; Five Generations; My School Days; My Apprenticeship and Early Business Training; Leaving Home; My Experience as a Clerk in the Bank of British North America; My Career in the Bank of Nova Scotia; My Connection with the Northwestern National Bank of Minneapolis; My Career in the First National Bank of Chicago; The Se-

**B**ANKERS everywhere are reading the life story of America's best loved banker—told by himself in a simple, unassuming and yet wholly captivating style. Let us send you for examination a copy of

## Recollections of a Busy Life

By James B. Forgan

The lighter details of the author's experiences as well as the more serious side make this book of interest to all bankers. The youngsters will receive inspiration from the author's account of the reasons for his success and the older generation will enjoy his recollections of banking days of the past.

curity Bank of Chicago and its Ally, the Second Security Bank of Chicago; Chicago Clearing House Committee; Currency Commission; American Bankers Association; My Connection with the Federal Reserve System; Activities Outside of the Banking Business; Moral Reflections; Some of Mr. Forgan's Public Addresses.

The book is attractively bound in full green leather and each copy contains a special page personally autographed by the author. As only a few autographed copies are left we urge you to act promptly and send for yours today.

**BANKERS PUBLISHING CO., 71 Murray St., New York**

If you wish to examine this interesting book at your own desk sign and mail the coupon today . . . . .

BANKERS PUBLISHING COMPANY,  
71 Murray Street, New York.

You may send me on 5 days' approval a copy of "Recollections of a Busy Life" by James B. Forgan. At the end of 5 days I will either pay you \$6 or return the book.

Name \_\_\_\_\_  
Bank \_\_\_\_\_  
Address \_\_\_\_\_



# Commonwealth Bank of Australia.

Guaranteed by the Australian Commonwealth Government

## HEAD OFFICE, SYDNEY



Head Office  
Sydney, N. S. W.

Branches in all the principal towns and cities of Australia, at London (2), and Rabaul.

A Savings Bank Department at all Branches and 3,355 Savings Bank Agencies at Post Offices throughout the Commonwealth of Australia, Territories of Papua and New Guinea, Solomon Islands Protectorate and other parts of the Pacific.

### *Agents and Correspondents throughout the World*

#### Banking and Exchange Business

of every description transacted within the Australian Commonwealth, United Kingdom, United States, Canada and Abroad

December 31st, 1924

|                       |       |                         |
|-----------------------|-------|-------------------------|
| General Bank Deposits | - - - | \$144,988,059.57        |
| Other Items           | - - - | 41,424,536.18           |
| Savings Bank Deposits | - - - | 204,743,071.46          |
| Note Issue Department | - - - | 284,451,130.00          |
|                       |       | <u>\$675,606,797.21</u> |

Cable Remittances made to, and drafts drawn on United States, Canada and foreign places direct

Letters of Credit issued to any part of the World

Bills Negotiated or Forwarded for Collection

Current Accounts Opened Interest on Fixed Deposits

Advances made against approved Securities

**JAMES KELL, Esq., Governor**

THE  
**NATIONAL BANK OF AUSTRALASIA**

LIMITED

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 ESTABLISHED . . . 1858.
 

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**Head Office: MELBOURNE**

|   |                      |
|---|----------------------|
| <b>Authorized Capital</b> (@ \$5 to £1)   | <b>\$50,000,000</b>  |
| <b>Capital Paid Up</b> . . . . .          | <b>\$20,000,000</b>  |
| <b>Reserve Fund</b> . . . . .             | <b>\$11,500,000</b>  |
| <b>Total Assets March, 1925</b> . . . . . | <b>\$205,888,875</b> |

With its 469 well spread offices the Bank provides a complete banking service throughout Australia, and is well equipped for the transaction of all classes of foreign business.

Chief Manager  
**E. H. WREFFORD**

Deputy Chief Manager  
**JAMES WILSON**

Chief Inspector  
**J. A. G. HADLEY**

Inspector and Manager, Foreign Department: **E. J. OSBORNE**

**London Office - 7 LOTHBURY, E.C.2.**

**English, Scottish & Australian Bank,**  
 Limited

|  |                     |
|--|---------------------|
| <b>Authorized Capital</b> . . . . .                | <b>\$18,750,000</b> |
| <b>Paid-up Capital</b> . . . . .                   | <b>\$11,250,000</b> |
| <b>Further Liability of Shareholders</b> . . . . . | <b>\$7,500,000</b>  |
| <b>Reserve Fund</b> . . . . .                      | <b>\$9,750,000</b>  |

**HEAD OFFICE:—5, GRACECHURCH STREET, LONDON, E.C. 3**  
**and 384 Branches and Agencies in Australia**

**Chief Office in Australia—Collins Street, Melbourne**

BANKING AND EXCHANGE BUSINESS of every description transacted with Australia. **BILLS NEGOTIATED** or sent for **COLLECTION**. **REMITTANCES** made by **TELEGRAPHIC TRANSFER**. **WOOL** and **PRODUCE CREDITS** arranged. **LETTERS of CREDIT** and **DRAFTS** issued on all the Branches of the Bank.

**Chief Agents in United States**

**NEW YORK—Guaranty Trust Company of New York.**

**CHICAGO—First National Bank.**

**SAN FRANCISCO—Crocker National Bank.**

**E. M. JANION, Manager.**



# THE BANK OF AUSTRALASIA

(Incorporated by Royal Charter, 1835)

**Paid-up Capital . . . . . £4,000,000**  
**Reserve Fund . . . . . £3,700,000**  
**Reserve Liability of Proprietors**  
**under the Charter . . . . . £4,000,000**  
**£11,700,000**

**Head Office, 4 Threadneedle Street, London, E. C. 2**

**EDMUND GODWARD, Manager**

**West End Branch, 17 Northumberland Avenue, London, W. C. 2**

**Branches in Australia**

**VICTORIA**

Melbourne: 394 &  
 396 Collins St.; 384  
 Elizabeth St.; 71  
 Collins St. East  
 Brunswick  
 Burnley  
 Coburg  
 Collingwood  
 Epsom  
 Footscray  
 Malvern  
 Middle Brighton  
 Port Melbourne  
 Prahran  
 St Kilda  
 Williamstown  
 Bairnsdale  
 Ballarat  
 Benalla  
 Bendigo  
 Bright  
 Castlemaine  
 Charlton  
 Chiltern  
 Cobram  
 Corryong  
 Drouin  
 Euroa  
 Fish Creek  
 Foster  
 Geelong  
 Katamatite  
 Kingston  
 Korolt  
 Korong Vale  
 Korumburra  
 Leongatha  
 Mirboo North  
 Mooroopna  
 Morwell  
 Nathalia  
 Numurkah  
 Port Fairy (Belfast)  
 Rutherglen

**Victoria, Contd.**

St. James  
 Sale  
 Shepparton  
 Stawell  
 Strathmoreton  
 Tallangatta  
 Terang  
 Traralgon  
 Tungamah  
 Walwa  
 Warragul  
 Warrnambool  
 Weidernburn  
 Welshpool  
 Wycheproof  
 Yackandandah  
 Yarram  
 Yarrawonga

**NEW SOUTH WALES**

Sydney: Martin  
 Place; 85 Pitt St.;  
 555 George St. So.;  
 Westworth Ave.;  
 236 William Street  
 Bondi Junction  
 Castlereagh St.  
 Hurstville  
 Kogarah  
 Leichhardt  
 Marrickville  
 Newtown  
 North Sydney  
 (84 Mount St.)  
 Petersham

Albury  
 Ballina  
 Bathurst  
 Bega  
 Bellingen  
 Berrigan  
 Blayney  
 Broken Hill  
 Cessnock

**N. S. Wales, Contd.**

Cootamundra  
 Corowa  
 Crockwell  
 Dorrigo  
 Dubbo  
 Forbes  
 Glen Innes  
 Goulburn  
 Grafton  
 Grenfell  
 Hamilton  
 Howlong  
 Jerilderie  
 Kempsey  
 Kyogle  
 Lansore  
 Maitland (East)  
 Maitland (West)  
 Moree  
 Murwillumbah  
 Murrumbidgee  
 Narrabri  
 Narromine  
 Newcastle  
 Nowra  
 Orange  
 Parkes  
 Peak Hill  
 South Grafton  
 Stroud  
 Tamworth  
 Tullamore  
 Wagga-Wagga  
 Wee Wee  
 Young

**QUEENSLAND**

Brisbane  
 Cairns  
 Charters Towers  
 Chillingoe  
 Cooyar  
 Crow's Nest  
 Herberton  
 Hughenden

**Queensland, Contd.**

Ipswich  
 Kingaroy  
 Longreach  
 Maryborough  
 Oakley  
 Richmond  
 Rockhampton  
 Roma  
 Toowoomba  
 Townsville

**SOUTH**

**AUSTRALIA**

Adelaide  
 Kooronga  
 Mount Barker  
 Port Lincoln  
 Port Pirie  
 Wirrabara

**WESTERN**

**AUSTRALIA**

Perth  
 Albany  
 Beverley  
 Bunbury  
 Fremantle  
 Gnowangerup  
 Kalgoorlie  
 Moora  
 Northam  
 Wagin  
 Wickepin  
**TASMANIA**  
 Hobart  
 Burnie  
 Deloraine  
 Devonport  
 Fingal  
 Launceston  
 Sheffield  
 Stanley  
 Ulverstone  
 Wynyard

**Branches in New Zealand**

Wellington  
 Ashburton  
 Auckland  
 Blenheim  
 Christchurch  
 Dannevirke  
 Dunedin  
 Eltham  
 Featherston  
 Feilding  
 Gisborne  
 Gore

Hamilton  
 Hastings  
 Hawera  
 Invercargill  
 Kaftala  
 Levin  
 Mania  
 Mangonui  
 Marton  
 Masterton  
 Matamata  
 Morrinsville

Napier  
 New Plymouth  
 Otaki  
 Palmerston Nth.  
 Patea  
 Raetihi  
 Rotua  
 Stratford  
 Taihape  
 Taumarunui  
 Tauranga  
 Te Aroha

Te Kuiti  
 Temuka  
 Te Puke  
 Timaru  
 Waipawa  
 Waipukurau  
 Wairoa  
 Wanganni  
 Waverley  
 Whakatane  
 Whangarei

**Principal Correspondents in North America**

**CANADA :**

Bank of Montreal  
 Canadian Bank of Commerce

**UNITED STATES :**

Bank of New York & Trust Co., New York  
 Hanover National Bank, New York  
 National Bank of Commerce, New York

**UNITED STATES, Contd.:**

National City Bank of New York  
 Continental & Commercial Nat. Bk. of Chicago  
 Illinois Merchants Trust Co., Chicago  
 National Bank of the Republic, Chicago  
 Fourth Street National Bank, Philadelphia  
 Wells Fargo Bank & Union Trust Co., San Francisco

Offer facilities for the transaction of every description of Banking Business in Australia and New Zealand. Negotiate or Collect Bills. Issue Telegraphic Transfers, Letters of Credit and Drafts, also Circular Notes and Circular Credits, on all parts of the world



# THE STANDARD BANK OF SOUTH AFRICA, LIMITED

(with which is incorporated the  
AFRICAN BANKING CORPORATION, LIMITED)

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

|                    |   |   |   |   |   |                    |
|--------------------|---|---|---|---|---|--------------------|
| Authorized Capital | - | - | - | - | - | <b>£10,000,000</b> |
| Subscribed Capital | - | - | - | - | - | <b>£8,916,660</b>  |
| Paid-Up Capital    | - | - | - | - | - | <b>£2,229,165</b>  |
| Reserve Fund       | - | - | - | - | - | <b>£2,893,335</b>  |
| Uncalled Capital   | - | - | - | - | - | <b>£6,687,495</b>  |
|                    |   |   |   |   |   | <b>£11,809,995</b> |

**BANKING BUSINESS TRANSACTED  
IN ALL PARTS OF THE WORLD**

**HEAD OFFICE: 10, Clements Lane, Lombard Street, London, E.C. 4.**

London Wall Branch : 63, London Wall, E. C. 2

West End Branch : 9 Northumberland Avenue, W. C. 2 (Opposite the Royal Colonial Institute)

Rotterdam Branch : 15, Coolingsel

Hamburg Agency : Bank of British West Africa, Ltd., 49-53, Schauenburgerstrasse

**Branches and Agencies Throughout  
SOUTH and EAST AFRICA**

**New York Agency: 67 Wall Street**

ROWLAND SMITH and R. GIBSON, Agents

*Representing in* } Bank of British West Africa, Ltd.  
*New York* } Bank of New South Wales

**The New York Agency**

offers to Bankers and Merchants throughout the United States and  
Canada its unsurpassed service for facilitating trade with  
the markets of Africa, Australia and New Zealand.

ESTABLISHED 1817

# BANK OF NEW SOUTH WALES

## AUSTRALIA

|  |  |                     |
|--|--|---------------------|
| Paid-up Capital . . .                  |  | \$30,000,000        |
| Reserve Fund . . .                     |  | 22,000,000          |
| Reserve Liability of Proprietors . . . |  | 30,000,000          |
|  |  | <u>\$82,000,000</u> |



Aggregate Assets, 30th Sept., 1925, \$400,047,015

OSCAR LINES, General Manager

414 BRANCHES AND AGENCIES

414 BRANCHES AND AGENCIES

**AUSTRALIA**  
Pop., 6,000,000; area, 2,974,581 sq. miles; sheep, 78,803,000; cattle, 14,350,000; horses, 2,400,000; imports, \$702,849,265; exports, \$597,837,035.

**Annual Value of Australia's Products**

|                     |                        |
|---------------------|------------------------|
| Agriculture .....   | \$420,910,000          |
| Pastoral .....      | 457,375,000            |
| Dairying .....      | 217,708,370            |
| Mining .....        | 101,580,800            |
| Manufacturing ..... | 1,632,486,000          |
| Total .....         | <u>\$2,830,059,170</u> |

Head Office—George St., Sydney      London Office—29 Threadneedle St., E. C.

## 414 BRANCHES AND AGENCIES

In all the Australian States, New Zealand, Fiji, Papua (New Guinea) and London

Cable remittances made to and drafts drawn on Foreign Places DIRECT

Foreign Bills Negotiated and Collected.

Letters of Credit Issued.

NEGOTIABLE THROUGHOUT THE WORLD

The bank collects for and undertakes the agency of other banks and transacts every description of Australian Banking Business

**Agents in New York :** Standard Bank of South Africa, Ltd.  
National City Bank of New York  
National Bank of Commerce in New York

Agents in San Francisco, Bank of California National Association, Crocker National Bank and Anglo and London Paris National Bank

*Specialized Service to Banks*



# Guaranty Trust Company of New York

MAIN OFFICE: 140 Broadway

FIFTH AVENUE OFFICE: Fifth Ave. and 44th St.

MADISON AVENUE OFFICE: Madison Ave. and 60th St.

NEW YORK

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*London Offices:*

32 Lombard St., E. C. 3                      50 Pall Mall, S. W. 1  
Bush House, W. C. 2

*Paris:* 1 & 3 Rue des Italiens    *Brussels:* 156 Rue Royale

*Liverpool:* 27 Cotton Exchange Buildings

*Havre:* 122 Boulevard de Strasbourg

*Antwerp:* 36 Rue des Tanneurs

# THE BANKERS MAGAZINE

ELMER H. YOUNGMAN, Editor

EIGHTIETH YEAR

JANUARY 1926

VOLUME CXII, NO. 1

## Editorial Comment

### The Year's Business Contrasts

**S**HARP contrasts are shown in some of the statistics for the year just closed. While constructive enterprise probably reached its greatest height, on the other hand the number of commercial failures seem to have approximated the high record. Usually new construction is regarded as the strongest evidence of prosperity, and in prosperous times failures in business generally fall off. If we were suffering from a lack of capital, it might be inferred that since large amounts of capital had gone into building development the amount available for commercial enterprises was less than required. But this does not seem to be the case. Anyway, with heavy outlays for building, a stream of prosperity—according to the accepted theories—should have been created, whose flow would have refreshed business enterprises of every sort. Such refreshment has failed to occur.

For some years the high rate of business mortality has attracted attention. It seems to grow out of conditions for which the general business situation is not altogether responsible. This gives rise to several important questions: Is business more hazardous than formerly? Are our business men growing less efficient? Are fraudulent failures multiplying? These are serious questions which cannot be answered off-hand. They are worthy of the careful study of credit men, manufacturers and bankers. Of course, the figures showing an increase of business failures in succeeding years may only prove that there

were more failures because there were more concerns engaged in business.

Probably as a rule business failures may be accounted for in the same way as bank disasters—they are due to lack of capital and experience. But there are comparatively few restrictions, either in banking or commerce, to keep out of these fields those disqualified from entering them.

### The Italian Debt Settlement

**B**Y an agreement reached between the Debt Funding Commission of the United States and the representatives of the Italian Government provision has been made for the payment of Italy's war debt to this country. No interest is to be paid for the first five years, but during that period \$5,000,000 is to be paid annually on account of principal. After the first five years, interest is fixed at one-eighth of one per cent. for ten years, then increasing for each ten-year period to one-fourth of one per cent., one-half of one per cent., three-fourths of one per cent., one per cent., and for the last seven years two per cent., annually. Payments are to extend over a period of sixty-two years, the amounts beginning at \$5,000,000 annually for the first ten years, and rising gradually to \$80,000,000 in the last year. For an original debt of \$1,648,000,000 the United States will receive, during the period of payment, a total of \$2,407,000,000.

In announcing the terms of the settlement, the American Debt Funding

Commission stated that it represented Italy's capacity to pay. After all, this is the only practicable basis of settling a debt of any kind. In the case of debts between individuals, the goods and property of the debtor can be seized and sold to pay his debts. But international obligations are on a different footing. The idea of making war on a nation to compel payment of its debts is obsolete. Reliance must be placed on the willingness and ability to pay. Probably as a matter of fact all the nations indebted to the United States have assets of one kind and another sufficient to meet their debts to this country. But that is really not the question. These assets are either not in a form which permits realization on them, or they must be kept intact for the benefit of the debtor country if its economic life is to function efficiently. Then there are political and patriotic considerations involved. Some of the countries, were they so disposed, could easily pay their debts to the United States by transfers of territory (assuming that this country might accept payment in such form). But payment in this manner is impracticable, and for obvious reasons. A country can pay its foreign debts only in some manner that is economically and politically feasible. This fact must be steadily kept in mind if we are to have a proper conception of the difficulties involved in adjusting these obligations.

Objection will be made to the terms of the Italian debt settlement on the ground that they are more lenient than those offered to Great Britain, Belgium and France. But no doubt the American Debt Funding Commission acted in accordance with the principle laid down in reaching an agreement—the capacity of the debtor country to pay.

Further objection will be raised because the interest paid by Italy will be far less than the United States must pay on its own obligations. The validity of this objection is somewhat impaired by the fact that long before the Italian debt is paid the United States bonds

issued for war purposes will have been retired.

Count Volpi, the Italian Finance Minister, immediately paid the first instalment of \$5,000,000, under the agreement, after which the Italian Government promptly borrowed \$100,000,000 in New York.

Perhaps the terms of this agreement are of less importance than the fact that an accord has been reached. To effect a prompt adjustment of the debts owing to this country the United States can afford to relinquish a substantial amount of its just claims.

### Par Collection Regulations Sustained

**T**HE regulations issued by the Federal Reserve Board, prohibiting national banks and non-member clearing banks from charging exchange on checks drawn on them and forwarded through Federal Reserve Banks for collection, and the law authorizing these regulations, have been sustained by a recent decision of the United States Supreme Court. The contention that these regulations took property from the bank bringing the suit without compensation fell to the ground.

In effect this decision will further uphold the efforts of the Federal Reserve Banks to compel banks against which checks are presented to pay such checks without deduction for exchange charges. But banks not members or not using the facilities of the Federal Reserve Banks may still make these charges or not, as they see fit.

This controversy has been long-drawn out, and probably the last has not been heard of it, although the decision of the Supreme Court settles the matter so far as applies to conditions like those obtaining in this particular case. But in the course of business, and with the attempts of some of the states to override the law, new cases are likely to crop up under different circum-

stances which actually involve the same issue.

The revenue derived by many banks from exchange charges is too great to be surrendered without a determined struggle. Many banks feel that they are being unjustly deprived of an important source of income by the regulations of the Federal Reserve Board as authorized by the Federal Reserve Act. It is quite natural that they should keep up resistance to these regulations so long as there is any hope of defeating them. Thus far the fight has not been very successful, and the recent decision does not lend much encouragement to further resistance. If the majority of the banks believe that relief is desirable, their best hope will probably lie in an effort to have the law amended.

now in use. That is, we could do this did not nearly everybody these days have a pocketful of money, thus making coin too heavy to carry around, and were there not a general inclination on the part of our people toward the use of paper rather than coin. Paper has gradually edged gold coins and silver dollars out of circulation, and much of the subsidiary silver is apparently being displaced in the same way.

The growing use of bank checks does not seem to have reduced the demand for currency. This may be due to increased prosperity or to the greater demand for cash resulting from the traveling public, now vastly larger than in former years. As the facilities for engraving and printing currency are potentially almost unlimited, no immediate scarcity of paper bills may be feared.

### Prolonging the Dollar's Life

ACCORDING to a newspaper dispatch, the United States Government is engaged in the attempt to make the dollar bills in circulation last longer. The average citizen, in which category most of us belong, will be disposed to hail this announcement with extreme satisfaction, seeing how brief a time his dollars last in these days of high prices. Unfortunately, this joy will be moderated when it is learned that what the Government is striving to do is not to increase the purchasing power of the dollar, but to strengthen the paper of which the bills are made, so that they will not wear out so soon. Actually, if the dollar bought more, it would not be passed from hand to hand so frequently, and would therefore last longer. Fewer bills would also be required. If the dollar would buy as much now in goods or services as it did some years prior to the Great War, we could almost use fifty-cent pieces where now we use the paper dollar. At any rate, with prices as they are, we could quite conveniently substitute coin for much of the paper

### Federal Farm Loan System

IN the November number of THE BANKERS MAGAZINE R. D. Kilborne discussed the operation of the Federal Farm Loan System, and reached the conclusion that as a result of the broadening of the market and the standardization of farm mortgage bonds the interest rate paid by farmers on their long-time loans has been reduced. He states that during the entire operation of this system the total of the loans made by the joint-stock land banks and Federal Land Banks was about \$1,500,000,000. He says had these loans been made through the agency of the old banking channels the interest rate would have been from 1 to 2 per cent. higher than the farmers actually paid. "This means a saving of from \$15,000,000 to \$30,000,000 a year in interest charges alone. This has been a real service to the farmers."

Before concluding that this saving of interest is attributable to the Federal Farm Loan Act, one would have to give careful attention to the yield on capital investments other than farm mortgages

during the period the act has been in operation. No doubt, as Mr. Kilborne says, the standardization of farm mortgages and the broadening of the market for the bonds have been factors tending to reduce the interest rate on farm loans; but it might have been, on account of a greater supply of capital and more profitable farming, the interest rate would have shown a reduction anyway.

It must be further borne in mind that this saving to the farmer has been effected partially at the expense of other classes in the community. Reference is made to the fact that interest on the Federal Farm Loan Bonds was exempted from Federal, state and local taxation. This loss of revenue had to be made up from other sources.

As to whether the reduction of interest on farm loans was "a real service to the farmers," some doubt arises. If this economy had been utilized in the purchase of farms by tenant farmers we might be more certain of its benefits. Mr. Kilborne tells us this has not been the case. Some evidence exists that easier credit facilities have stimulated farm land speculation. The whole problem, as in the use of credit of any kind, revolves around the method of utilization. Cheap credit is a blessing to those who know how to use it, but may prove destructive to those not so qualified.

Mr. Kilborne finds that the joint stock land banks have come to be of great importance, because they are privately owned and managed corporations.



## THE BANKERS MAGAZINE Prize Contest

**P**UBLICATION of the series of prize papers, received in response to THE BANKERS MAGAZINE offer, has now begun in these pages. Study of these articles should prove instructive, as the papers cover a wide range of subjects of practical interest to the bankers of the country.

The day has gone by when experience was regarded as the only teacher for the aspiring banker. No one questions the necessity of experience as a qualification for the banker, but he can make his experience all the more valuable by giving heed to the experience of others, and that is what one really gets from papers contributed by men who are themselves successfully engaged in the business of banking. One no longer needs, therefore, to be ashamed of being a student of banking. In fact, some of the best bankers of the country are always studying the problems directly or indirectly related to their profession. Banking today is by no means a simple operation. Our business life has become complex, and banking, which takes within its purview every kind of business, has multiplied its ramifications accordingly.

The value of banking education is fully recognized by the American Bankers Association, as shown by actions familiar to all. So that now the opportunities for gaining a knowledge of banking principles and practices are greater than ever before. As time goes on the trained young man in banking should have a value to his institution much greater than one lacking this training. It may be expected also that greater knowledge will enable the bankers to serve the community better—that our banks will show an increasing standard of efficiency and safety.



## A Flourishing Industry

**A**CCORDING to a report of the National Industrial Council, the various state legislatures enacted 13,018 new laws in the last year. Unless one could examine these numerous enactments it would be impossible to pass judgment upon them. Some allowance must be made for the fact that there are forty-eight states, each with a lawmaking authority, and that the problems to be dealt with are not everywhere the same nor regarded

in the same light even where but little difference exists. The numerous state laws are in part due to the freedom allowed the various states in working out their own problems. Uniform Federal laws might be simpler, as they certainly would be less numerous, but it was not the purpose of those who planned our Constitution to have all the people standardized. Possibly, with the growth of relations between the people of the different states, the tendency will be toward more uniform laws, evidence of this tendency being already perceptible.

Much of the present-day legislation is semi-socialistic in its character, legislators having grown to believe that they

are elected as conservators of the public welfare. Unfortunately, this new conception of the prerogative of law has largely impaired the protection of life and property, heretofore considered as the main purpose of organized society. As this primary object of government has receded from view, the state has enlarged the scope of its intervention into affairs formerly regarded as the concern of the individual. The Governor of Washington, in a recent message, declared, "The greatest favor the state can confer upon the people is to get off their backs and stop interfering in their affairs."



## Bankers Must Restrain Wave of Speculation

**SPECULATIVE** tendencies are the great danger to business in the coming year, Richard T. Baden of Baltimore, president of the National Association of Credit Men, said in a statement issued from the association's headquarters.

"A great many business men are beginning to reflect upon the speculative tremor that is running through the nation," Mr. Baden's statement reads. "They see today a speculative fever in Florida and on the stock exchanges, a laxity in granting of credit, and unwise purchases of luxuries on the instalment plan.

"We have just passed through a year of healthy prosperity, and with fundamental conditions sound and favorable, we should have a far better year in 1926.

"It is generally agreed that the building shortage no longer exists. Speculation in that field becomes, therefore, more precarious and warrants close attention to credit there.

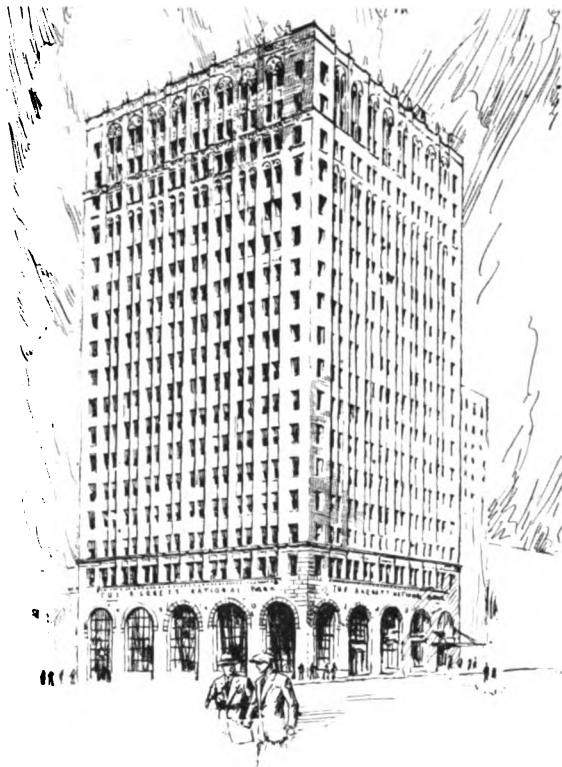
"Our present consumption does not warrant speculation based on large future profits. On the stock exchanges we have a condition that may strain

banking credit which is never inexhaustible. We may expect, therefore, that the extension of banking credit will slow up, which has already been manifested by the rise of the rediscount rates in almost all the Federal Reserve districts.

"Increased rates for money, which according to the laws of economics, tend to reduce the demand for the use of capital, may not be a sufficient brake for the speeding train of speculation. But by intelligent management in commercial and banking credit, a great deal can be done to offset the speculative spirit that pervades the public.

"The public is more influenced in its actions by advertisements of golden opportunities than it is by increased interest rates. The control of the situation, therefore, comes down to the banker and the commercial credit executive. Working together forcibly and intelligently, the banker and the credit executive can be more effective through seeing that credit is used to the best advantage, which will accomplish more in the long run than all the warnings that could be pronounced or written."





## An Addition to Jacksonville's Skyline

Back in 1877, when men were arguing whether Rutherford Hayes had beaten Tilden for the Presidency of the United States, Jacksonville was an inconspicuous village. The bend in the St. Johns river was a cow ford.

In that momentous year the Barnetts opened their bank in Jacksonville. Each

ensuing year has brought added prestige and stability.

Today, the Barnett National Bank is one of the outstanding banking institutions of the South. Throughout a long history it has retained its characteristic individuality without consolidation or merger. Its growth has paralleled the growth of Jacksonville.

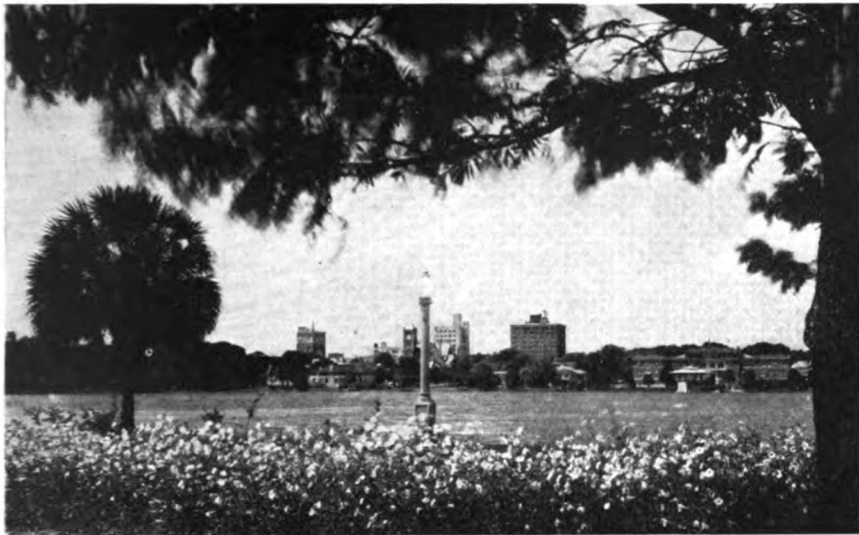
*Resources in 1877 . . . \$43,000.00*

*Resources Today . \$34,821,416.58*

# The BARNETT NATIONAL BANK JACKSONVILLE



**A F L O R I D A L A N D M A R K**



Orlando's skyline across Lake Eola

# Florida

The Last Pioneer State of the Union

By Elmer H. Youngman

Editor The Bankers Magazine

**F**LORIDA has the center of the stage, and this gives rise to two important questions: first, how was this place gained; and second, can it be kept?

People in Florida—those who have been there longest—disclaim responsibility for the sudden rise of their state's popularity. They say that visitors came down, returned home and told their friends about the climate and other attractions, resulting in a constantly growing tide of travel.

This may be the true beginning of Florida's popularity, but cannot be accepted as fully explaining it. The pride the people have in their state and its attractions has been industriously proclaimed by the residents and by the use of publicity methods perhaps never matched in the world's history. There are newspapers in Miami and St. Petersburg publishing a larger number of pages and carrying a greater volume

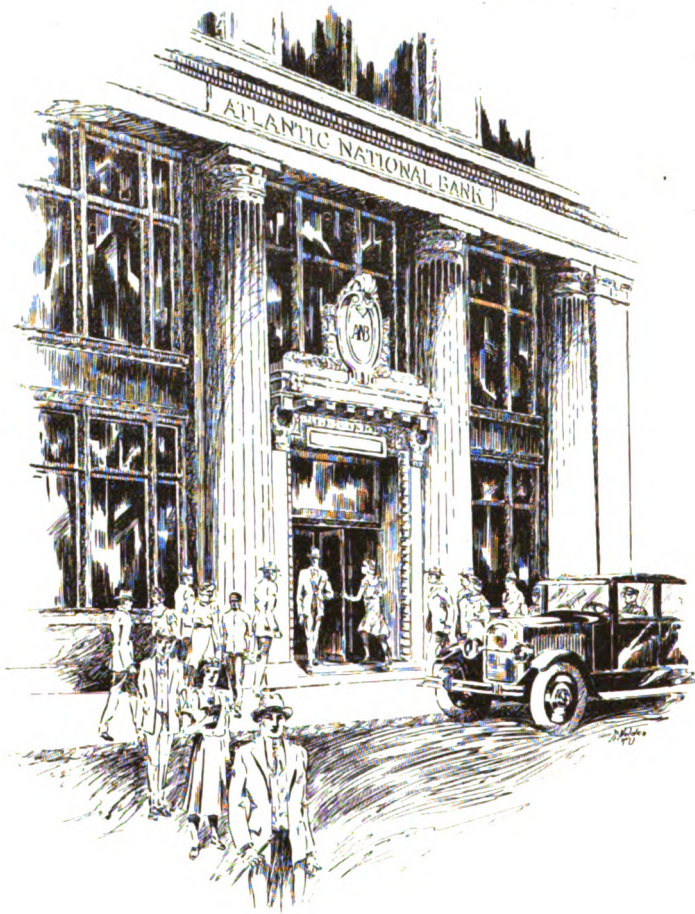
of advertising—chiefly of real estate—than the leading daily newspapers of New York and Chicago.

Visitors to Florida have undoubtedly done much to spread the state's fame abroad, but the people of Florida themselves have not been in the least backward in making the resources of their country known to the world.

Confirmation of the value of advertising—when you have the goods to deliver—is strikingly afforded by the development taking place today in the most southerly member of the Federal Union.

But something more than clever publicity is required to explain Florida's surprising growth.

Here is undoubtedly another reason for it: in recent years there has been an amazing increase in the wealth of the people of the United States. Where a generation ago ten or a hundred had the means and leisure for travel, or for the luxury of a winter home in a genial



The Atlantic National Bank is a Florida bank. Its bond department is manned by men with years of experience in Florida investments ; its Trust department by specialists in Florida fiduciary matters ; it has direct connections with every banking point in the state ; its information on Florida is current.

*In Florida—the Atlantic*

# The Atlantic National Bank

of Jacksonville

“ F O R E M O S T I N F L O R I D A ”

clime, there are now literally thousands who have moved up into this favored class of our population.

Then the automobile has played its part in enhancing Florida's fame. And it is only in the last few years that this new means of transportation has really begun to make itself felt in its effect upon the habits of the American people. We are naturally restless, and the automobile has afforded the easy means of gratifying this national propensity. If you go to Florida, and read the license-plates on the thousands of automobiles to be seen on the streets and highways, from every section of the country, you will realize this fact in a way that no words can possibly make clear to you.

Historically, Florida is not new. Its settlement antedates the coming of the early settlers to Virginia and Massachusetts. Florida was ceded to the United States by Spain in 1819, was organized as an American Territory in 1822, and became a state in 1845. Still, it is in reality an undeveloped state, as attractive to the pioneers—though in a different way—as were the great plains of the West a half-century or more ago.

The pioneers of those earlier days went West in caravans of covered-wagons—"prairie schooners"—now they are going to Florida by steamer, by railway, by automobiles, and even in airplanes. The means of transportation have changed from those earlier times, but the motives that are prompting men to go to Florida now are substantially the same as those which inspired the conquerors of the western wilderness and the "argonauts" of '49—a longing for change and for greater opportunities of wealth and happiness—the same lures that have drawn millions across the seas to this favored land of ours.

#### *The Major Fact About Florida*

It has been intimated above that Florida is as yet an undeveloped state—a banker whose opinion is entitled to great weight has expressed the view that the present era is one rather of exploitation than of development—and here is the major fact about Florida which must be kept steadily in view in trying to gain an intelligent outlook upon the state's future.

There are in Florida some 20,000,000



Looking south on Franklin street, Tampa



# EVIDENCE OF STABILITY

*Emblem of Supremacy*

**SAN JOSE** offers as evidence of the stability of this Florida development an extensive programme of construction already finished or in an advanced stage of completion—substantial reasons for acquiring lots either for building or investment purposes.

The Administration Building, completed and occupied.

The Country Club, nearly finished, to be opened January 1926.

The San Jose Hotel, an ultra-modern hostelry costing \$1,000,000, rapidly approaching completion, will be opened January 1926.

The San Jose Golf Course, laid out by Donald Ross, is now ready for play.

Twenty-four shops on the Prado—three already occupied and open for business.

In November 1925 several homes were completed and many are in various stages of construction.

The San Jose Vanderbilt Hotel, operated by the Vanderbilt Hotel Corporation of New York, and costing over \$2,000,000, will be located at the junction of the St. Johns River and Christopher Lake in San Jose. Construction work will commence on this in January 1926 and the hotel will be ready for the accommodation of guests in January 1927.

Solid blocks are set aside for school buildings.

Sites have been donated for the erection of churches.

Generous provision has been made for parks of rare natural beauty.

---

*Write for Booklet B.M. Developed by*

## SAN JOSE ESTATES

220-222 West Forsyth St., Jacksonville, Florida



Gandy Bridge, connecting St. Petersburg and Tampa—the longest automobile toll bridge in the world. Built by George S. Gandy of St. Petersburg. In its first year of operation, recently closed, more than 2,000,000 passengers and over 860,000 vehicles crossed the structure

acres of productive land, as yet uncultivated, and in a climate that in winter is ideal, and that even in summer is at least less enervating than that of many states in a more northerly latitude.

It is rather strange that a state so favorably situated should have lain dormant for a century. Perhaps one reason is that, in the earlier history of the United States, European immigration into this country was largely composed of peoples from the countries of the north—English, Irish, Scotch, Dutch, Scandinavians and Germans—and they naturally settled in latitudes like those they were accustomed to in their old homes. How true this is appears from the fact that the South has long shown a relatively small percentage of foreign-born population as compared with the states of the North and West. The Civil War and the political conditions following it may have exercised an influence in keeping people away from the South. But these retarding factors have practically disappeared. And one reason for Florida's present prosperity is to be found in the fact that the whole country, and the South in particular, is prospering as never before. As has been

said, Florida has the center of the stage, and is attracting more attention and enlisting more fresh capital and enterprise within a given period than any other spot on the earth. This statement may seem extravagant to the outsider, but its correctness will at once be apparent to any one who goes to Florida and studies with an observing and unprejudiced mind what is being done there.

#### *The Lure of Land Profits*

Thousands are being attracted to Florida because of the marvelous tales that are being told of the profits being made from the sales of land. The strangest thing about these tales is that they are true; and this for the reason that there is absolutely no excuse for exaggerating in recounting these stories. It is a case where truth is stranger than fiction. One would require a most imaginative mind to be able to invent stories more seemingly incredible than those which are truthfully related of the profits made on Florida real estate within the last few years. Lots have speedily soared from a few thousands to

# Less than 36 hours then ~ Summer

No idle dream of Aladdin, but real sterling facts. Leave the ice and sleet of winter today—tomorrow find summer waiting—birds, flowers and sunshine on the magic East Coast of Florida.

Broad white beaches thronged with bathers. Golf amid the sand dunes and waving palms. Yachts cruising along the placid inland waters. Fishing beyond compare in river and ocean—an endless round of invigorating recreation.

Bask in the warm sunshine and dream new dreams—forget that winter ever existed. Then glory in the renewed ambition, the zest to accomplish and the ready mind that come with wholesome outdoor life.

It is not by chance that you will find many eminently successful men making the same investment for this is one of the secrets of wealth and achievement.

## Go to Sleep Once and it's Summer

*Through sleepers from all the important cities of the north direct to the East Coast Resorts. Connections at Key West for Havana, Cuba.*

Write for rates and information booklet.

**Eastern Office :**  
2 W. 45th St. New York

**General Offices :**  
St. Augustine, Fla.



# The Florida EAST COAST

The Florida East Coast Hotels  
(Flagler System) operated on  
the American Plan.

At St. Augustine  
The Alcazar  
Ponce de Leon

At Ormond  
Hotel Ormond

At Palm Beach  
Royal Poinclana  
Breakers (Under Construction)

At Key West  
Casa Marina

At Long Key  
Long Key Fishing Camp

hundreds of thousands and even to a million and over. Here is a sample that could be duplicated, in effect, almost endlessly. The United States Government some time ago bought a tract known as Chapman Field, near Miami, for a military reservation, paying for the land \$71,000. Quite recently the tract was sold—the Government having decided to abandon the plan for a military reservation there—for \$2,800,000. You hear of innumerable cases of a similar character, and they are probably all true, for the reason, as already said, that there is no excuse for exaggeration, and because invention could hardly exceed the truth.

And yet, truthful as these accounts of real estate profits undoubtedly are, they are not convincing, for a reason that may well be illustrated by a classical story related by Cicero.

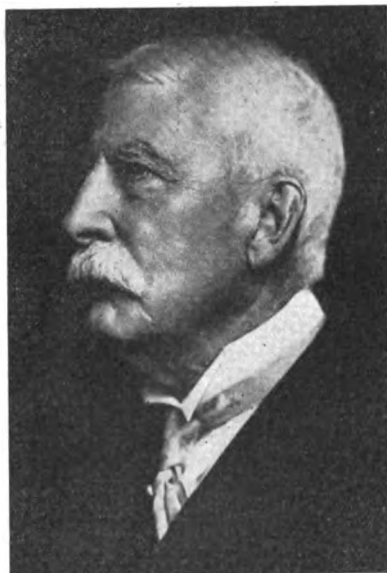
In Samothrace, Diogenes—surnamed the Atheist—was shown in the temple the several offerings and stories in painting of those who had escaped shipwreck, with this remark: "Look, you who think the gods have no care of human things, what do you say to so many persons preserved from death by their especial favor?" "Why, I say," answered he, "that their pictures are not here who were cast away, who are by much the greater number."

And so no correct appraisement of the final result of speculation in Florida lands can be made until we have reports of the losses as well as of the gains. That a great many losses are bound to come is the opinion of men whose position for judging of the situation is of the best, and whose lack of prejudice cannot be brought into question.

Of this matter of land speculation something will be said later.

#### *Florida a Backward State*

To say that Florida is a backward state sounds on the face of it as being detrimental to that state. But really it is directly to the contrary. It simply means that the dormant capabilities



HENRY M. FLAGLER

Whose genius and foresight were factors of immense importance in the present development of Florida

there are still undeveloped. Looking into the most recent volume of the United States Statistical Abstract (and it is realized that any statistics relating to Florida are only of relative value if over six months old) it will be found that in ratio of population per square mile, agricultural production and in manufacturing Florida is behind all of the states except some six or seven, and is behind the neighboring states of Alabama, Mississippi, Georgia, and North and South Carolina. In other words, in some of the essentials of economic prosperity Florida remains a backward and undeveloped part of the country. This is not to the state's disadvantage, but the contrary, provided the resources are there with the necessary capital and enterprise for their development. As this story proceeds it will be the endeavor to show, as fully as space permits, that Florida possesses these elements of economic development to an unusual degree—to an extent, in fact, that should make the state in a few years one of the



# MIAMI

THE FASTEST GROWING CITY IN AMERICA

The World's Greatest Winter Resort

## Knockers of FLORIDA

Read this and weep!

THERE are many attractions about this "Wonder City." Miami's progress has attracted world-wide attention and the big business of America—heading the big firms—having thoroughly investigated her stability and resources, and finding conditions sound and ideal for business investment and developments are expending huge sums in this section.

### Figures and facts which spell progress and prosperity

|   |               |
|---|---------------|
| Florida East Coast Ry., expending for improvements  | \$15,000,000  |
| Clyde Steamship Co., new ships for Miami service  | 5,000,000     |
| Florida Electric Light & Power Company  | 25,000,000    |
| Seaboard Airline Ry., extending their line to Miami   | - 5,000,000   |
| Bell Telephone Company, extensions  | - 2,000,000   |
| New buildings in the Miami zone, 1925   | - 100,000,000 |
| New School Buildings financed   | - 2,000,000   |
| New Courthouse and City Hall  | - 2,500,000   |
| Street and Sewer Construction   | - 2,500,000   |
| New Water Works   | - 1,100,000   |
| New Causeways and Bridges   | - 2,200,000   |
| Expending for Realty Development within ten miles of Miami                                    | 300,000,000   |
| Investments of the United Cigar Stores Company  | - 5,000,000   |
| County and State Road Departments expending in road work on Dixie Highway and in this section | 3,000,000     |
| City of Miami on Park improvements  | - 2,000,000   |
| U. S. Government on Harbor improvements   | - 1,600,000   |
| City of Miami on Harbor improvements  | - 500,000     |
| Total. \$474,405,000  |               |

Bank Deposits, November 1st, 1925 - \$210,000,000  
" " " " " " 1924 - \$37,000,000  
SHOWING A GAIN OF 570 PER CENT.

Florida has been sending hundreds of millions of dollars to manufacturers in Northern States for many years—why shouldn't some of this money be re-invested in Florida?

It is also a fact that Northern investors have taken hundreds of millions of dollars profits from their Florida investments.

We have no apologies to make for MIAMI, unless it be on account of the extra speed she is making in her phenomenal race to build to be a city of ONE MILLION PEOPLE, which she is bound to be within the next ten years.

In one year Dade County shipped over six thousand carloads of Winter vegetables and fruits.

200,000 acres of rich muck soil land, adjacent to Miami, is being put into agricultural condition.

A visit here will convince the most skeptical. We invite you to be one of our half million visitors this Winter.

Transportation facilities greatly increased: Florida East Coast Railway being double tracked.

Seaboard Airline Railway extending to Miami.

Clyde Steamship Company putting in service more large passenger ships from New York. (The George Washington and R. E. Leel. The Admiral Line have inaugurated service with the H. F. Alexander, from New York.

The Balt more and Carolina S. S. Co. are giving passenger service from Philadelphia and Baltimore.

Merchants and Miners "Berkshire" from Philadelphia. It has been announced the trans-Atlantic S. S. Kroonland will inaugurate passenger service from New York to Miami in December.

The above is further evidence of the stability and ever increasing importance of MIAMI.

Florida is still a part of the United States of America.

### INVESTIGATE BEFORE YOU INVEST

Write for handsome booklet with full information.

CHAMBER OF COMMERCE  
MIAMI, FLORIDA

46 new Hotels will be opened, making total of 136.

315 new Apartment Houses will be opened, making total of 665.





Airplane view of Hollywood's \$15,000,000 harbor

most populous and prosperous of any in the Union.

#### *Florida's Romance and Fascination*

An attempt has been made to explain the spell which Florida seems to have cast over the minds of millions of our people. When all these reasons are examined, it will be found that influences incapable of exact definition are perhaps as strong in drawing people to the state as any of those mentioned. This southward migration is but a fresh evidence of the never-ending quest of mankind for the new and the strange; for wealth, ease, health and happiness. Hope forever beckons mankind onward. Then there will be found romance in Florida's history, and fascination in her tropical vegetation and scenery. Perhaps Ponce de Leon, searching for the Fountain of Youth, was not far from its discovery when he touched the shores of the land of flowers, for youth will approximate its renewal as nearly in Florida as elsewhere.

#### *Will Florida's Prosperity Last?*

This is the second question propounded at the outset of this story, and a correct answer to it is of vital interest, not alone to the people of Florida but to the country as a whole. A study of the situation on the ground, extending for about two months, leads to this conclusion, namely, that there are two roads along which the future development of Florida may proceed. It may become a winter playground for a comparatively few rich people, or it may develop into an important agricultural and manufacturing state as well. The ability to achieve the first position may be conceded at once. For those who have the means to own a winter home in a warm climate, or to pass a few months each year away from the rigors of a northern winter as guests of a hotel or as tenants of houses and apartments, Florida offers unusual attractions. But that this state will become great in agriculture and manufacturing is far less certain, and for reasons presently to be stated.

Attention has been called to the fact

Statement of the Condition of

# The First National Bank

## OF MIAMI, FLORIDA

September 28, 1925

(Comptroller's Call)

### RESOURCES

|   |                      |
|---|----------------------|
| Loans and Discounts .....                   | \$ 8,189,366.24      |
| Commercial Paper .....                      | 5,035,122.65         |
| Stock Exchange Loans .....                  | 15,000,000.00        |
| Bank Acceptances .....                      | 1,031,465.82         |
| Overdrafts .....                            | 18,856.51            |
| Banking House Equipment .....               | 182,630.20           |
| Marketable Bonds and Securities .....       | 10,021,177.02        |
| U. S. Bonds and Treasury Certificates ..... | 4,712,127.39         |
| <b>CASH RESERVE</b> .....                   | <b>20,700,211.36</b> |

\$64,890,957.19

### LIABILITIES

|                                    |                      |
|------------------------------------|----------------------|
| Capital Stock .....                | \$ 600,000.00        |
| Surplus and Profits .....          | 1,105,589.37         |
| United States Bonds Borrowed ..... | 95,500.00            |
| <b>DEPOSITS</b> .....              | <b>63,089,867.82</b> |

\$64,890,957.19

Give your Customers a Letter to The First National Bank of Miami

*Investment Business Founded in 1909*

# Trust Company of Florida

Paid-in Capital and Surplus, \$500,000

Offering 7½% and 8% First Mortgage  
Bonds created by conservative loans  
on High Class Income-Earning Build-  
ings located in the larger cities of  
Florida.

*For more than 16 years every in-  
terest and principal payment made  
promptly when due.*

**Trust Company of Florida Bldg.**  
Miami, Florida



View of St. Augustine from Matanzas Bay, showing old Spanish cathedral and towers of Hotel Ponce de Leon in the distance

that Florida has, roughly, some 20,000,000 acres of uncultivated but productive land. This land is not the smooth, clean prairie that greeted the early settlers of the states beyond the Mississippi. Generally the land in Florida is covered with a heavy undergrowth of scrub palmetto—locally known as “Spanish bayonets”—and pine and other trees are almost everywhere. This means that before agriculture can be successfully carried on the land must be cleared, and this costs in the neighborhood of \$100 per acre. If on the top of this the first cost of the land has been forced up by speculation, it will be seen that the farmer will not find it easy to make a profit on his crops. In the case of some products, showing a high return per acre, this will be less true, but generally it will hold good.

The effect will be that some millions of farmers who might otherwise be attracted to Florida if the prices of the undeveloped lands were low, will not go there to live because they know that high prices of the land must render farming unprofitable.

Much has been said as to the bad effect of northern propaganda against Florida. But the greatest danger to Florida lies in the direction indicated—the speculative boosting of land values to a point where the average man cannot afford to own a farm because the land costs too much to make farming profitable. Fortunately, the situation is somewhat altered by the fact that a great deal can be grown on a comparatively small acreage, where the soil is exceptionally good, and where two or more crops may be grown in a year.



A section of the business district of Jacksonville

BUILDING FOR GREATER MIAMI DESTINED METROPOLIS OF FLORIDA



Our new building

# Miami's Pioneer Bank Now In Its 30th Year

welcomes every opportunity to answer inquiries on Miami and Florida.

## Bank of Bay Biscayne

Flagler Street and Miami Avenue

MIAMI, FLORIDA

Biscayne Trust Company Affiliated

Forward—With Miami's Oldest Bank

Capital and Surplus \$1,500,000

# The Southern Bank & Trust Company

MIAMI, FLORIDA

Member Federal Reserve System

Statement of Condition, Comptroller's Call, September 28th, 1925

### RESOURCES

|   |                 |
|---|-----------------|
| Loans and Discounts .....                             | \$ 3,520,756.43 |
| Overdrafts .....                                      | 6,523.96        |
| County and Municipal Bonds..                          | 340,000.00      |
| U. S. Liberty Bonds and<br>Treasury Certificates..... | 6,274,750.00    |
| Federal Land Bank Bonds.....                          | 200,000.00      |
| Federal Reserve Bank Stock                            | 4,200.00        |
| Banking House .....                                   | 50,000.00       |
| Cash Reserve .....                                    | 5,277,014.85    |

TOTAL .....\$16,273,305.24

### LIABILITIES

|  |               |
|--|---------------|
| Capital Stock .....                                | \$ 100,000.00 |
| Surplus .....                                      | 40,000.00     |
| Reserved for Interest, Taxes<br>and Expenses ..... | 29,610.51     |
| <b>Deposits—</b>                                   |               |
| Escrow Checks.....\$                               | 362,378.94    |
| Cashier Checks.....                                | 222,694.34    |
| Certified Checks....                               | 343,267.97    |
| Public Deposits....                                | 855,947.12    |
| Individual Deposits .....                          | 11,671,722.98 |
| Savings Deposits .....                             | 1,232,269.15  |
| Trust Deposits.....                                | 176,657.90    |
| Certificates of Deposit .....                      | 1,239,756.33  |
| Total Deposits.....                                | 16,103,694.73 |

TOTAL .....\$16,273,305.24

### OFFICERS

J. E. LUMMUS, President  
J. N. LUMMUS, Jr., Vice-President  
A. E. FULLER, Secretary and Treasurer  
H. S. SWEETING, Asst. Sec'y and Treas.

W. CECIL WATSON, Asst. Sec'y and Treas.  
J. FRED WINER, Asst. Sec'y and Treas.  
J. E. VEALE, Asst. Sec'y and Treas.  
M. E. LUMMUS, Asst. Sec'y and Treas.



Central avenue, St. Petersburg's main business thoroughfare, showing some of the new construction of 1925. This street is seven miles long and is lighted by a white way system its entire length

Florida's enormous area of productive and undeveloped land constitutes the most valuable resource of the Peninsula—a mine of wealth of almost inestimable riches—but this resource can be developed only if speculation in undeveloped land is kept within bounds. It is believed that every banker in the state, and the most conservative real estate dealers as well, realize the truth of this statement.

Here is a statement one frequently hears in Florida: that, taken as a whole, profits have not been made in agriculture, citrus fruit culture, nor truck-growing. In some cases large individual profits have been shown, but on the whole, according to those whose testimony is worthy of acceptance, what has been stated is true. Explanation for this state of affairs is found either in unscientific methods of cultivation, in improper marketing organization, or in lack of nearby markets. All these drawbacks to the profitable cultivation of the soil are capable of correction, and they will be corrected undoubtedly in time. But the difficulty of making a

profit from the land will become greater as the price of farming areas advances. To some extent this unfavorable condition will be offset by the growth of the cities—and Florida is rapidly developing a number of large and prosperous cities—which will afford increased domestic capacity for absorbing the products of the farms, the gardens and the groves. At present, although large quantities of food products are annually sent out of the state, heavy importation of other kinds of food must be made to supply the wants of the present population.

It is therefore fundamental, if Florida's enormous agricultural potentialities are to become actual, that the prices of farm lands must be kept within reasonable bounds. This, it is believed, is the fact of greatest importance to the future permanent prosperity of the state. To realize this desirable end it will become necessary to restrain speculation, and to check the too rapid multiplication of city and town subdivisions whose acres could be more

# MIAMI BANK & TRUST CO.

## MIAMI, FLORIDA

Statement of Condition, September 28th, 1925 (Comptroller's Call)

| <b>RESOURCES</b>  |                        |
|---|------------------------|
| Loans and Discounts .....                                 | \$7,513,976.74         |
| Commercial Paper Purchased .....                          | 14,673,946.08          |
| Real Estate Mortgage Bonds .....                          | 47,500.00              |
| Overdrafts .....  | 5,326.51               |
| Banking House Furniture and Fixtures .....                | 358,129.83             |
| United States Government and Other Marketable Bonds ..... | 1,451,369.00           |
| Cash Reserve .....  | 8,627,309.58           |
| <b>Total</b> .....  | <b>\$32,677,557.74</b> |
| <b>LIABILITIES</b>  |                        |
| Capital Stock .....                                       | \$ 200,000.00          |
| Surplus and Undivided Profits .....                       | 482,895.06             |
| <b>Deposits</b> .....                                     | <b>31,994,662.68</b>   |
| <b>Total</b> .....  | <b>\$32,677,557.74</b> |
| Deposits September 28th, 1925 .....                       | \$31,994,612.68        |
| Deposits September 28th, 1924 .....                       | 5,085,982.16           |
| <b>Increase</b> .....                                     | <b>\$26,908,630.52</b> |

### OFFICERS

|                                   |                                      |
|-----------------------------------|--------------------------------------|
| CHARLES L. BRIGGS, Chmn. of Board | R. H. DANIEL, Vice-Pres. and Cashier |
| C. D. LEFFLER, President          | V. R. BRICE, Assistant Vice-Pres.    |
| R. M. PRICE, Vice-President       | H. G. RETALICK, Assistant Vice-Pres. |
| GEORGE E. NOLAN, Vice-President   | P. M. LINDBLOM, Asst. Cashier        |
| OSCAR DANIELS, Vice-President     | H. L. WEEMS, Asst. Cashier           |
| JOHN C. GIFFORD, Vice-President   | F. J. MARGESON, Asst. Cashier        |
| J. H. PACE, Vice-President        | J. M. HUFFMAN, Trust Officer         |

### DIRECTORS

|                   |                  |                 |
|-------------------|------------------|-----------------|
| CHARLES L. BRIGGS | R. M. PRICE      | OSCAR DANIELS   |
| J. R. ANTHONY     | R. J. MARSHBURN  | J. O. HARLEY    |
| C. D. LEFFLER     | W. R. COMFORT    | GEORGE E. NOLAN |
| JOHN C. GIFFORD   | H. DeB. JUSTISON | J. H. PACE      |
| JAMES H. BRIGHT   | FLOYD L. KNIGHT  | A. B. SMALL     |

An increase of \$26,908,630.52 in the deposits of this bank in one year reflects not alone the growth of Miami, but the service the Miami Bank and Trust Company is rendering the business community. We shall take pleasure in welcoming any friends you may send us.

## Guaranteed First Mortgage Real Estate Bonds

Secured by first mortgages on income producing property of rapidly increasing value, and guaranteed by this company

**Assets Over \$4,500,000.00**

Correspondence Invited

## First Mortgage & Bond Company

J. R. Tatum, *Pres.*

104 East Flagler St., Miami, Florida

*Our loans do not exceed 50% of a very conservative appraisal*

## FLORIDA'S BANKS

| June 30                           | No. | State Banks      |                 |                               |                  |
|-----------------------------------|-----|------------------|-----------------|-------------------------------|------------------|
|                                   |     | Total resources  | Capital         | Surplus and undivided profits | Deposits         |
| 1925                              | 261 | \$362,119,232.31 | \$15,493,000.00 | \$10,591,601.31               | \$332,399,856.69 |
| 1924                              | 241 | 179,046,923.10   | 13,323,000.00   | 6,985,505.07                  | 154,477,265.90   |
| Gain                              | 20  | 183,072,309.21   | 2,170,000.00    | 3,606,096.24                  | 177,922,590.79   |
| National Banks                    |     |                  |                 |                               |                  |
| 1925                              | 57  | 296,216,000.00   | 10,504,000.00   | 8,579,000.00                  | 269,839,000.00   |
| 1924                              | 54  | 167,716,000.00   | 9,440,000.00    | 7,549,000.00                  | 143,616,000.00   |
| Gain                              | 3   | 128,500,000.00   | 1,064,000.00    | 1,030,000.00                  | 126,223,000.00   |
| Combined State and National Banks |     |                  |                 |                               |                  |
| 1925                              | 318 | 658,335,232.31   | 25,997,000.00   | 19,170,601.31                 | 602,238,856.69   |
| 1924                              | 295 | 346,762,923.10   | 22,763,000.00   | 14,534,505.07                 | 298,093,265.90   |
| Gain                              | 23  | 311,572,309.21   | 3,234,000.00    | 4,636,096.24                  | 304,145,590.79   |

profitably reserved for agricultural production.

#### *When Will the "Bubble" Burst?*

This is a question not asked by anybody who really knows anything about Florida from actual observation. The bubble will not burst for the very good and sufficient reason that there is no bubble. Where men are putting into actual development enterprises, \$5,000,000, \$10,000,000, \$20,000,000, \$50,000,000, and even \$100,000,000—where scores of giant skyscrapers of steel, brick and concrete are rising—where docks are being built, harbors improved, and the means of transportation enlarged, it is futile to ask a question such as the above. Make no mistake: some of the ablest men in America are pouring millions into Florida—not for speculative objects, but for the development of enterprises like those upon which the solid and lasting prosperity of every American community has been built.

In saying this it is not meant to imply that the present speculative values of real estate will be maintained. They will not be. There must be, in many cases, a recession in values where they have been pushed up too far. Some ambitious sub-divisions will never fulfill the dreams of their promoters. They

must be turned back into farm lands. In fact, there has been already a marked letting down of the feverish speculation of last summer. This cooling-off process will go farther, and when prices of property have adjusted themselves to a more healthful basis, the solid and steady development of the state will proceed on a more stable foundation, but still at a rate which must within a few years carry the wealth and population of Florida to a point beyond that which even the most optimistic can now foresee.

#### *History, Topography, Climate and Soil*

The beginnings of American history are in Florida, and at St. Augustine one may yet see numerous evidences of the early Spanish settlement. The names of De Leon, Narvaez and De Soto are linked with the country's discovery and first colonization. Spanish, French, English and Seminoles have contended for its mastery, until finally the military prowess of Andrew Jackson brought the land under the American flag.

Florida's topography is in several respects unique among the states comprising the American Union. For over 500 miles this peninsula thrusts itself down into the embracing arms of the sea,



# Do You Know

—that the Atlantic Coast Line issued bonds for \$50,000,000 for double tracking and improving their railroad facilities from Richmond to Jacksonville?

—that the Florida East Coast Railroad issued \$30,000,000 worth of bonds for the double tracking of their system through Florida?

—that the Seaboard-All-Florida Railroad issued \$25,000,000 worth of bonds for improving their railroad facilities in Florida?

—that the Seaboard Air Line issued \$10,000,000 worth of consolidated 6% bonds for the improvement of their facilities through the South to Florida?

—that the Illinois Central Railroad, controlling the Central of Georgia Railroad, issued \$20,000,000 worth of bonds for improvement of their facilities through the South and to Florida?

This does not take into consideration current issues and regular equipment bonds, etc., which would increase the total between \$175,000,000 and \$200,000,000 worth of securities recently sold for the enlarging and improving of the equipment of these railroads.

And remember, a railroad bond cannot be sold upon a one-year earning basis, but must be sold on the record of an ascending curve of earnings over approximately three years.

## **Do You Know**

—that the Florida East Coast bonds were sold through the offices of J. P. Morgan & Company?

—and that the Seaboard Air Line securities were sold through the financial house of Dillon, Read & Company?

—and that the Illinois Central bonds were sold through the National City Company of New York?

## ***Well, that is all true!***

Now then, do you think that these railroads would expand as they have, and make such tremendous issues of bonds for the purpose of improving their railroad facilities throughout the South and Florida—do you suppose that such financial institutions as J. P. Morgan & Company, Dillon, Read & Company and the National City Company would offer such securities if *Florida did not warrant their sale?*

*Then why bother any more about asking*

*questions as to the stability of Florida and the South?*

MIAMI SHORES believes implicitly that the Greater Miami district has just entered upon a great era of prosperity, and therefore, with 50% of MIAMI SHORES included in the city of Miami, is going to lend a hand in an aggressive manner to the task of helping create a *bigger, better and busier Greater Miami.*

# **MIAMI SHORES**

***America's Mediterranean***

125 E. Flagler St.,

Miami, Florida

somewhat resembling Italy in this respect, but in others being very different, for Italy is traversed by chains of mountains not found in our most southerly state. Except in the northwestern corner, the general aspect of the state is flat, although there is a gradual rise of some 300 feet toward the ridge in the central portion of the state. People who regard Florida as a land of swamps can never have traversed the state from Jacksonville to Miami on the east coast, or from West Palm Beach across the state to St. Petersburg. The assertion that Florida has millions of acres of high and dry land is made after careful observation during such a journey.

Florida's climate is generally regarded by its people as the state's chief asset—a view in which one may not concur while at the same time conceding that in few parts of the world can a milder or more genial climate be found



Statue of Ponce de Leon at St. Augustine



Bayside entrance to Coral Gables, built entirely of coral rock, and roofed with old Spanish tiles of the infinitely varied colors that come only from age. A natural harmony is here, to prove that Spanish architecture is an ideal type for the Florida landscape.

in winter, and even admitting that the summer temperature is as tolerable as the most devoted friends of Florida stoutly assert. But great commonwealths and cities are hardly founded on climate, but rather in spite of it. Scotland and Massachusetts are examples of countries triumphing over unfriendly skies, while the great cities of London, New York and Chicago are not renowned for their balmy airs. If Florida is to be regarded as a rich man's playground, or as a resort for the valetudinarian, then may it be said that the climate is the state's greatest asset. The seeker for ease—so far as that may be assured by climate alone—will find it in Florida; but the searcher for the easy life is usually not the one who builds cities and subdues the waste places of the earth. Probably the farmer who goes to Florida regardless of its reputed heat in summer will in the long run do more for the lasting prosperity of the state than the millionaire who merely goes there to play or the wornout denizen of the North who flies south in winter to bask in the warm rays of a tropical sun.

The greatest asset of Florida is not



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BREEZES**

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Established November 1, 1924

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Capital . . . . . \$25,000.00  
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its climate alone, but its climate and soil, where farming may be carried on all the year round.

There are said to be 100 kinds of soil in Florida, on which are grown some 250 different products. Within this wide range every cultivator of the soil may find scope for his activities and the hope of profitable endeavor.

#### *Character of the People*

Probably the greatest asset any country can have consists neither in climate nor in natural resources but in the character of its people: witness again the progress of Scotland and Massachusetts. And in this respect Florida will not suffer by comparison with any state in the Union. This will be seen when it is understood that the people come from all over the country—and this is said with no disrespect to the comparatively few natives, generally the descendants of colonial stock, and who are among the kindest people one meets. But the great majority of those now so actively engaged in placing Florida in a foremost position among

the states are from the North and West—men who have achieved leadership in their respective communities. You will find an Illinois, Indiana, Ohio, or other state society in almost every city in Florida, and may expect to meet people from your home town, whether it be New York, Chicago, or some small place in the North or Middle West. You are in a friendly environment wherever you go—the atmosphere of home. A knowledge of the people of nearly every state warrants the statement that in all the qualities which endear man to his fellows the people of Florida will bear comparison with any. And why should this not be true, since its people are a composite of the people of practically every other state?

#### *Transportation*

Florida is suffering greatly today for lack of transportation facilities. The state is being built up so rapidly that neither the railways nor steamship lines are capable of carrying the building materials required. Since September there has been an embargo against the

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158 N. E. Third Street, Miami, Florida

shipment of all goods on the railways below Jacksonville, food and perishable goods excepted. Shortly after the middle of December an express embargo was declared effective against the shipment of fish and citrus fruits out of the state from points south of Jacksonville. This latter stoppage was probably due to citrus fruit shipments to meet the holiday demand, and was regarded as of a temporary character.

Few facts speak more eloquently in support of the progress of Florida than this—that the state is growing so rapidly that the railways and steamship lines cannot get goods and materials into the state fast enough to meet the demand. This is true notwithstanding the fact that the Florida East Coast, Atlantic Coast Line and the Seaboard Air Line have extensively enlarged their facilities by double-tracking, and that many steamers and sailing vessels have been requisitioned to meet the shortage of transportation facilities. The ships

are helping out, but their services are limited in several instances by narrow or shallow harbors or by inadequate docking facilities. On a recent date sixteen ships were counted outside Miami harbor, waiting for space at the docks. As rapidly as possible steps are being taken to widen and deepen channels and to enlarge docking facilities.

With the sea on both sides, giving a coast line double that of any other state, and with many navigable rivers and canals, Florida has at her command water transportation facilities perhaps unequalled in the country; but for their effective utilization time will be required. On both coasts there are already a number of good harbors, and others are being rapidly developed.

#### *Agricultural Production*

Great as are the actualities of agriculture in Florida at the present time, one gets the impression, in traveling over



A view of the business section of Miami

# TAMPA, FLORIDA

*Prompt Attention Given  
To All Items Sent Us*

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## Citizens Bank & Trust Company

TAMPA, FLORIDA

*Capital, Surplus and Undivided Profits  
over \$2,000,000*

*Total Resources over \$36,000,000*

the state, that little has been done in the cultivation of the land, except in the way of citrus fruit production. This impression arises from the fact that only a small percentage of the land has been put under cultivation. Florida is a big state—only Georgia exceeding it in size among the states east of the Mississippi. It is larger than New York and Massachusetts combined. There are about 35,000,000 acres within the state's borders, of which perhaps less than 2,000,000 are under cultivation. Of the total area a considerable deduction must be made for lakes and rivers and for land as yet unsuited for farming. Making liberal allowances of this kind, there remains an area of at least 20,000,000 acres capable of profitable agriculture. The crops that may be produced range all the way from such staples as potatoes, corn and tobacco to the citrus fruits, bananas, pineapples, nuts and the varied products of the garden. These latter can be grown so as to reach the northern markets early in the season, thus commanding exceptional prices. In fact, every month is one of growth, the warm sun throughout the winter and the abundant rainfall—the annual average being about fifty-seven inches—causing the land to bring forth practically without interruption.

Because of this continuity of production, and the wide variety of crops that can be profitably grown in Florida, the agricultural possibilities of the state are enormous. What has been done already shows beyond question the immensely greater things to be achieved when the still vast uncultivated domain is brought under cultivation.

#### *Another Important Fact About Florida*

It is no empty boast to say that American enterprise ranks today as one of the great world forces. Wherever this enterprise concentrates its attention, something interesting is bound to happen. American enterprise is now concentrated on Florida, and things are surely happening there. Practically the

whole state is pulsating with an energy whose intensity has never been equalled in the history of America's rapid development. It is not easy to envisage this activity or to describe its many phases. The building of railways and steamship docks, deepening and widening of harbors, digging of canals, clearing and draining vast tracts, building roads, creating beautiful towns and busy cities—these are but a few of the major activities now going forward in Florida with all their concomitant manifestations of human energy and enterprise.

Probably the chief incentive to this activity is not money but that desire of achieving some great work which has constituted the main driving force in so many great American enterprises. Go over the details of the plan of Hollywood, and you can hardly escape the thought that J. W. Young possesses a practical vision almost Napoleonic in its scope. Witness the beauties of Coral Gables, and you feel that George E. Merrick—a poet—has made a noble dream a reality for the benefit of his fellow men. And the conspicuous examples of these gentlemen find their counterparts on a somewhat smaller scale in literally thousands of enterprises impossible to describe or even to mention.

Many of the men in America noted for doing things are now in Florida working with characteristic intelligence and energy for the development of the state. They are in this work in dead earnest and to stay. And this is one of many reasons why Florida is neither going to stop nor go backward, but will surely go ahead to even greater things than even the most optimistic now hope for. With the favorable climate and the vast tracts of uncultivated and productive land, combined with the energy, capital and enterprise of the men now engaged in the development of the state, this result is bound to follow whatever may be the immediate course of land speculation. Prices of land may go down—they will do so in some cases as



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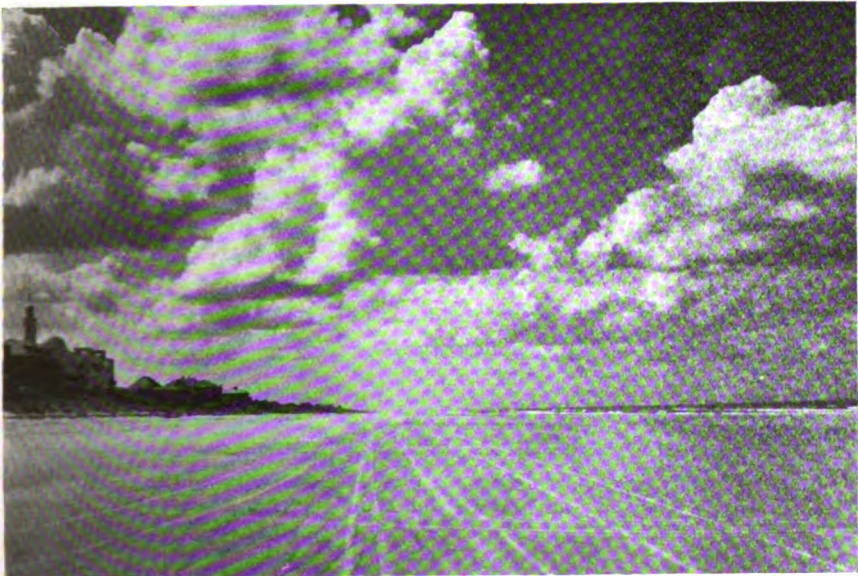
they will in others go higher—but the course of real estate prices changes in no respect the essential things on which Florida's real prosperity rests. The climate is unaffected by fluctuations in real estate. The soil and its products take no notice of such changes. All the real resources of the state will exist exactly as before whether land prices go up or down.

Observe that some of America's most successful capitalists and captains of industry are backing Florida with their time and money. They are acting upon conclusions reached only after a thorough study of conditions. What they are doing is the result of no sudden enthusiasm, but of judgment deliberately formed. It is always wise to note what successful men are doing. And this applies with special force to what is being done in Florida at the present time.

American capital and enterprise have been attracted to Florida because there today is found the most inviting field for their employment.

### *Buying Land in Florida*

It is not within the province of this story to give advice about buying land or anything in Florida or elsewhere. But this much may be said: if you think of buying lots or farms there, use your head just as you would in buying anything. That investigation should precede investment is a sound rule, whatever one is buying. It applies to Wall Street as well as to Florida. If you think of buying real estate in Florida, deal with people who have knowledge and integrity. There are plenty of them in all parts of the state. Find out all you can about the land you think of buying; if a farm, the location with respect to railways and markets, whether the land is dry, quality of the soil, whether the tract is cleared or wild, etc.; if a lot in a subdivision, be careful to find out the responsibility of those behind the enterprise, what has been actually done in the way of development, or what certainty there is of promises being fulfilled. In the case of the more prominent developments it is easy to see what has been done. The



Daytona Beach, five hundred feet wide at low tide, smooth as a table, and twenty-three miles long, where world famed drivers time and again have broken records

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**“THE ANCIENT CITY”**

Be sure to supply them with letters of introduction to St. Augustine's fastest growing Bank. They will be accorded every courtesy and are assured of a hearty welcome at this friendly institution.

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If they *like* Florida they will *love* St. Augustine

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*Let us be of service to you*

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**The St. Augustine National Bank**  
“At the Sign of the Lighthouse”

**First National Bank of  
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*Unexcelled banking facilities.  
Excellent service. Try us and  
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better kind of these enterprises—and they constitute the majority—do not countenance misrepresentation either in advertising or by their salesmen. A dealer in real estate is generally optimistic, and the dealer in Florida, having large grounds for his faith, is specially so; but it may be said with truth that the ethical standards of those engaged in the sale of Florida lands—especially of those who are actual residents of the state—are on a par with those engaged in the same line of business in any part of the country. If a different reputation has come to attach itself to Florida land dealers, it has been due largely to unscrupulous operators residing without the state, who have no real interest in Florida's development, and who aim to make all the profits they can without regard to the interests of those who deal with them.

The Florida Development Board, under the capable leadership of its president, Herman A. Dann, of St. Petersburg, and its secretary, A. A. Coult, of Jacksonville, is energetically fighting all dishonest Florida real estate schemes, and is gradually succeeding in weeding them out.

As there is great speculation in Florida real estate, and since the land there represents great variety in its character and situation, more than usual precautions should be taken before purchases are made. In other words, a thorough investigation should be made. It is of first importance that only persons of real knowledge of the state and of particular localities and of known integrity should be dealt with and real estate men of this character are to be found in great numbers in every part of the state.



Automobiles parked on the beach at Miami while their owners enjoy a dip

# DAYTONA BEACH BECOMES FLORIDA'S SEVENTH CITY

**K** EEN observers of Florida events are watching the unprecedented civic growth and industrial development that has already made Daytona Beach Florida's seventh city.

Study the facts and figures below as an index of what is taking place and what may be forecasted for the future.

The permanent population of Daytona Beach has increased from 6,245 in 1920 to 21,500 today. A daily influx of new citizens breaking, in the past few months, all previous records is the cause for the unprecedented volume of building permits shown below:

|                                 |             |
|---------------------------------|-------------|
| <b>BUILDING PERMITS</b>         |             |
| For the 12 months of 1924 ..... | \$2,787,768 |
| For September 1925 .....        | 1,384,600   |
| For October 1925 .....          | 842,150     |
| Total for 2 months 1925.....    | \$2,226,750 |

The Bank deposits are over 800% ahead of 1920. Note the following:

|                      |             |
|----------------------|-------------|
| 1920 (Jan. 30) ..... | \$2,868,915 |
| 1923 (Jan. 30) ..... | 4,052,675   |
| 1924 (Jan. 30) ..... | 9,381,506   |
| 1925 (Aug. 22) ..... | 12,293,895  |
| 1925 (Sept. 4) ..... | 13,177,916  |
| 1925 (Oct. 30) ..... | 18,948,625  |

A new \$2,000,000 enterprise to employ 1500 people has just selected a site here. For the complete "Story of Progress" send for our new booklet.

**Mail the  
Coupon**

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Sir:  
Please mail me the new  
booklet "Daytona Beach Be-  
comes Florida's Seventh City."

Name \_\_\_\_\_

City \_\_\_\_\_

State \_\_\_\_\_

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## American Bank & Trust Company

"Next Door to the Post Office"

Daytona Beach, Florida

Capital \$100,000.00

Surplus \$25,000.00

"A growing bank, alive to present day  
needs and opportunities"

Special Attention to Tourist Accounts

POPULATION COMPARISONS OF FLORIDA CITIES

(From the latest available official census, taken in the spring of last year. Later figures, embracing the winter population would no doubt show large increases.)

|                        | 1920    | 1925      | Increase |
|------------------------|---------|-----------|----------|
| State of Florida ..... | 968,470 | 1,253,635 | 285,165  |
| Clearwater .....       | 2,427   | 5,004     | 2,577    |
| Daytona .....          | 5,445   | 9,592     | 4,147    |
| Daytona Beach .....    | 825     | 2,129     | 1,304    |
| Fort Myers .....       | 3,678   | 6,674     | 2,996    |
| Haines City .....      | 651     | 2,026     | 1,375    |
| Jacksonville .....     | 91,558  | 95,450    | 3,892    |
| Key West .....         | 18,749  | 13,701    | *5,048   |
| Lake Worth .....       | 1,106   | 4,617     | 3,511    |
| Lakeland .....         | 7,062   | 17,051    | 9,989    |
| Miami .....            | 29,571  | 69,754    | 40,183   |
| Orlando .....          | 9,282   | 22,255    | 12,973   |
| Pensacola .....        | 31,035  | 25,305    | *5,730   |
| Plant City .....       | 3,729   | 6,639     | 2,910    |
| St. Augustine .....    | 6,192   | 10,458    | 4,266    |
| St. Petersburg .....   | 14,237  | 26,847    | 12,610   |
| Sanford .....          | 5,588   | 7,262     | 1,674    |
| Sarasota .....         | 2,149   | 5,529     | 3,380    |
| Sea Breeze .....       | 571     | 1,792     | 1,221    |
| Tampa .....            | 51,608  | 94,743    | 43,135   |
| West Palm Beach .....  | 8,659   | 19,146    | 10,487   |

\*Decrease.

*Northern Propaganda Against Florida*

The people of Florida are justly incensed at the attempts being made in other parts of the country to hinder their state's progress and development. They call attention to newspaper advertisements warning people against speculating in Florida's lands, and attacking the state generally. Some of this anti-Florida propaganda is sponsored by bankers, who for years have kept silent about Wall Street speculation for which their own funds were largely used. The world commonly thinks of Wall Street as being primarily a place where speculative transactions are carried on, forgetting the greater volume of transactions there of a non-speculative character. Likewise the wonderful tales recounted of speculative profits made in Florida obscure the more solid progress the state is making. This development is represented by constructive work of a high order. It calls for large outlays for building materials of all kinds, for furniture and supplies,

which are largely furnished from outside the state. The demand that Florida is making on the productive resources of other parts of the country is incontestably shown by the freight embargo prevailing for some months against heavy shipments to the state, and by the congested condition of Florida's harbors and docks.

As a people we are disposed to crow mightily over the opening of some small trade opportunity in China, Africa, or Siam. But here is one of the greatest empires of trade ever offered, right at our own door, and among our own people, offering new and profitable markets for many of the products of our workshops and farms, and yet there are people who seem to be so short-sighted as to think this newly-discovered source of American prosperity is detrimental to their own localities or their little institutions! The wealth that is being poured into Florida by the hundreds of millions, wisely employed, will create more wealth, a due portion of which may



A beautiful corner of the Ponce de Leon Hotel, St. Augustine

be gained by all who work rather than whine, wherever they may be located. They say in Maine that people who make money in Florida will be the better able to spend their summers in Maine!

*American Character of Florida's  
Development*

The opinion is often heard in Florida that those living outside the state must

think the people down there are all crazy. To this the retort might justly be made, that if Florida is crazy it is only the craziest part of the crazy United States. For what is going on in Florida is as typically American as anything ever witnessed in the country's history. We like activity, energy, hurry and noise. All these and kindred manifestations may be found in Florida, greatly multiplied and intensified. If you

want to see how Americans do things, go to Florida where more things are being done in a given space of time than almost anywhere else, and with a concentrated earnestness that one has rarely had the opportunity of witnessing before.

One hundred per cent. Americanism can perhaps as nearly be found in Florida today as at any spot in the United States. So that those who are engaged in the futile and rather silly propaganda against Florida must accept classification with those who do not approve of this particular manifestation of Americanism. For one who has never visited the state this mental attitude may be explicable; but those who have visited all parts of Florida and have failed to become its devoted admirers and friends would do well to make a careful examination of the quality of their Americanism.

The ignorant and prejudiced may rail at Florida's progress, but it is difficult to see how any intelligent person who visits all parts of the state, and who studies its varied attractions and resources, can fail to be deeply impressed by what has already been done and the much greater things that will be accomplished as the years go by. America justly glories in the work of our pioneers in developing the states now making up the Federal Union. Though long a member of that Union, Florida is still a land where the work of the pioneer is required, and is being done. Capital, enterprise and invention have made it possible greatly to speed up this work and to do it with much less physical labor than was formerly necessary.

Essentially Florida's development looks to the creation of enlarged opportunities for homes and business in a land greatly favored by nature. Surely, this is something in which every American may take a just pride.

The banker, manufacturer or merchant who wishes to profit himself and to benefit his community, instead of lending his name, influence and money to propaganda designed to injure

Florida, should go to the state and make a thorough examination of its resources, attractions as a place of temporary or permanent residence, and of the unusual opportunities it presents for business enterprises of many kinds.

#### *Manufacturing and Industries Other Than Agriculture*

Florida does not possess the elements usually considered essential to the carrying on of manufacturing on a heavy scale. There is no coal or iron or cheap water power. The raw materials of manufacturing are not abundant. And yet the state has already developed manufacturing to a considerable extent, and this development will be greatly increased with the rapid growth of population. Lumber is at present the leading industry, and the production of naval stores of great importance. Sponge fishing, phosphate, the fisheries, cigar-making, sugar refining, manufacture of edible oil from peanuts, and the utilization of various by-products in manufacturing, constitute some of the growing productive activities of the state. With the growth of agriculture and of population, Florida will undoubtedly produce from her own factories many of the commodities required for her needs, but at present the chief industry consists in the work of building houses for the thousands of people eager to come to the state to live part or all of the year. When this important work, which transcends all else in its immediate demands, shall be measurably accomplished, the capital, energy and enterprise of the state will inevitably turn toward manufacturing. But before this can take place to any large extent, the needs of the people for homes—a demand which even the present building activity cannot possibly supply—must be met.

#### *The Banking Situation*

Florida's banks are growing at a rate probably never before equalled in the banking history of the United States.



# The First National Bank of Seabreeze

## DAYTONA BEACH, FLORIDA

Opened for business December 23rd, 1924

*Resources over Eleven Hundred Thousand Dollars*

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J. W. CAMAC, Vice-President  
O. R. BLEECH, Cashier  
H. G. HAIGH, Assistant Cashier

*Send your Customers and Friends to the*

# Merchants Bank & Trust Company

## DAYTONA BEACH, FLORIDA

*Daytona's Oldest Bank*

**We invite you to open an account and grow with us  
as we continue to grow**

F. N. CONRAD, President

F. J. NIVER, Vice-President

A. N. OTIS, Cashier

S. A. WOOD, Vice-President

R. E. CRAFT, Asst. Cashier

C. M. BINGHAM, Vice-President

H. R. ZIMMERMAN, Asst. Cashier

W. D. CAMERON, Vice-President and Manager Bond Dept.

*Resources Over Nine Million Dollars*

# Commercial Bank and Trust Co. of West Palm Beach

## WEST PALM BEACH, FLORIDA

**Capital and Surplus \$175,000.00      Assets \$3,350,000.00**

T. M. COOK, President

A. E. PEARSON, Vice President

D. O. McDOUGALD, Cashier

J. A. GREGOOR, Trust Officer

E. J. ANDERSON, Assistant Cashier

**Palm Beach County Collections Solicited**

**We have the experience, facilities and render service**

You find banks whose deposits have grown in a year from \$1,000,000 to \$8,000,000; others that from \$10,000,000 or \$12,000,000 have increased in two years to \$60,000,000 or more. In nearly every city and large town in Florida the facilities of the banks are taxed to their utmost capacity. The banks find it almost impossible—especially with the existing difficulty in procuring building materials—to enlarge their premises to meet the growing demands. Nearly every bank is crowded until it resembles the throngs around the bargain-counter of a big department store. You see these crowds and jump to the conclusion that there must be a run on the bank. The “run” is really an attempt on the part of depositors to put their money into the bank rather than to get it out. New accounts are being opened at a truly astonishing rate.

This rapid growth of business and the surprising development of Florida in all the essentials of economic advancement have failed to sweep the Florida bankers off their feet. It has actually had the contrary effect. Study the reports of the Federal Reserve Board, and you will readily be convinced that the banks of the state are in as liquid condition

as are those of any part of the country, if not more so. This impression will be confirmed by an examination of individual bank reports and by conversation with leading bank executives. You may be sure that should some other persons lose their heads, the Florida bankers are keeping theirs. They are acting at all times on cool judgment, despite the tremendous activities of every kind by which they are surrounded. The bankers of the state are fully alive to the fact that a situation like the present is one not exempt from special danger, and for this they are fully prepared. Their cash reserves are high, and they have large funds at call in New York and other financial centers, as well as large investments in securities and commercial paper outside the state, payment of which can be required in time of need without in the least entailing local hardship. This does not mean that a slump is looked for, but it does mean that the bankers understand that a time of unusual business activity and real estate speculation like that now existing in Florida is one which calls for wise precautions on the part of the banks, and these have been made. To keep their banks liquid, in several cases separate security companies have been or-



Building materials have never been more effectively in harmony than the old Spanish roof tiles from Cuba, the natural coral rock, and the tinted stucco of Coral Gables

The "Close-Up" in Photography

SHOWS DETAILS!



Is organized in Florida to give you a "close-up" on investments in Real Estate anywhere in the state.

*Executive Offices*

210 So. Beach St., Daytona Beach, Fla.

*Offices in :*

Jacksonville

St. Augustine

Ormond Beach

Daytona Beach, (3)

New Smyrna

New Smyrna Beach

Palm Beach

West Palm Beach

Miami

Miami Beach

Deland

Sanford

St. Petersburg

Orlando

Lakeland

Leesburg

Gainesville

Brooksville

Tampa

---

*"We Cover Florida Real Estate Like the Sunshine"*



Tea garden in coconut grove on grounds of Hotel Royal Poinciana at Palm Beach

ganized—in precisely the same way as has been done in New York, Boston, Chicago and other financial centers—to take over and handle loans or investments less liquid than are desirable in the portfolios of commercial banks. The bankers of the state are, as a rule, men of wide experience, many of them having been trained in some of the leading banks in the larger cities in various parts of the country.

After a thorough study of the banking situation in Florida, it may be said with confidence that the strength of the banks constitutes today the surest reliance for the continued stability and permanent prosperity of the state.

#### *The State's Leading Cities*

City building in Florida has proceeded rather more rapidly than the development and growth of the state in population and agriculture. This in a way reverses the ordinary process, which is to develop the country first and

to build the cities afterwards. By reversing this process it will become imperative that in the near future greater attention be paid to the development of the state's agricultural and other productive resources—a fact of which some of the leading builders of cities have taken note and are acting accordingly. Some of the older cities already have the solid support which agricultural production affords, and it may be expected that the future will bring about the same conditions in those places where cities have been built ahead of agricultural development.

The history of the growth of cities in the North and Middle West hardly affords a standard of comparison with the development of the Florida cities, on account of the differing conditions. Florida's chief appeal today is undoubtedly to the tourists and those who are seeking winter homes. They naturally prefer the cities. But these cities are



*Medieval Entrance to Daytona Highlands, Florida*

**Sound — Safe — Conservative**  
and therefore  
**P E R M A N E N T**



HERE are many reasons for Florida's Present. These are set forth truthfully, frankly and skilfully by Frank P. Stockbridge, Richard H. Edmonds and others, in the November "Review of Reviews." Roger Babson deals with Florida's Future in as convincing a manner. He says: "Those who go to Florida primarily to improve the state and become creators, constructors and benefactors will find that their investment is one of growing value."

The organization behind Daytona Highlands, a suburb of Daytona Beach on the East Coast of Florida, is composed of men seeking the sort of success Babson praises. Their first year's work in every department exemplifies the foresight, energy, conservatism and ethics characteristic of this great enterprise from the start.

A searching investigation of our entire project by those interested in a Florida investment is most earnestly invited.

REFERENCES: Daytona Beach Chamber of Commerce; American Bank and Trust Company; others if desired.

**DAYTONA HIGHLANDS**

*Florida's Suburb of Hills and Lakes*  
Main Sales and Executive Offices  
162 S. Beach St., Daytona Beach, Florida

Literature on request. Address: Educational Department

so large and numerous that when the demands of the tourist and winter home-seeker are met, there must be a much greater development of agriculture and manufacturing if these cities are to sustain a large permanent population. This problem belongs rather to the future, for there are so many tourists and seekers for winter refuges from northern blasts and snows that it is at present utterly impossible to provide accommodations for them. Conceivably a time will come when the requirements of this temporary element in the population will be supplied, and then Florida must take up the greater problem of caring for the wants of its permanent residents, whose numbers will be greatly increased beyond the present comparatively sparse population.

There are three outstanding cities in Florida, located in different parts of the state. These are Jacksonville in the northeast, Miami in the southeast, and Tampa on the western coast. Jacksonville and Tampa are somewhat alike in size, general characteristics and commercial importance.

Jacksonville, with a population

around 135,000, is the gateway to Florida, and its chief commercial and financial center. It has an excellent harbor, which is being improved, and because of its location at "the neck of the bottle" is the distributing point for goods coming into and going out of Florida. In many of its aspects it resembles a northern city of corresponding size, and rather takes pride in its conservative spirit. Besides having large docks, great banks and many fine commercial establishments, Jacksonville already has several hundred factories, and others are being established to meet the needs of the city and its prosperous and growing territory.

Tampa, as has been said, though located in a different quarter of the state, is not unlike Jacksonville in several respects. The two cities are at present running a close race in population, the actual difference probably being less than 1000. Tampa has a good harbor and is important commercially and for its manufacturing, the cigar industry being especially important. It belongs, like Jacksonville, in the more conservative part of the state. In saying this

#### BUILDING STATISTICS OF FLORIDA CITIES

For period January through September 1925, compared with 1924. Issued by  
G. L. Miller & Company, Atlanta, Ga.

| City                  | 1925                 | 1924                |
|-----------------------|----------------------|---------------------|
| Bradenton .....       | \$ 3,767,894         | \$ 1,143,200        |
| Clearwater .....      | 3,638,767            | 845,511             |
| Jacksonville .....    | 8,007,026            | 6,184,440           |
| Lakeland .....        | 5,810,845            | 2,556,047           |
| Miami .....           | 38,233,057           | 13,846,763          |
| Miami Beach .....     | 14,535,307           | 5,232,300           |
| Orlando .....         | 5,060,589            | 2,396,809           |
| Palm Beach .....      | 6,391,700            | *2,861,245          |
| Pensacola .....       | 542,880              | 773,693             |
| Sanford .....         | 1,141,002            | †252,478            |
| Sarasota .....        | 3,828,324            | 1,180,590           |
| St. Augustine .....   | 1,111,514            | 539,377             |
| St. Petersburg .....  | 16,630,100           | 6,459,000           |
| Tampa .....           | 16,638,060           | 3,631,573           |
| West Palm Beach ..... | 11,960,440           | 3,580,725           |
| <b>Total .....</b>    | <b>\$137,297,505</b> | <b>\$51,484,353</b> |

\*August not included

†Both July reports missing and August and September 1924.



## Greater Palm Beach— 4th City of the World

Have you noticed how many important business concerns list their addresses as New York, London, Paris—and Greater Palm Beach?

### GREATER PALM BEACH TRULY AN INTERNATIONAL CITY—

Comprising Palm Beach and West Palm Beach, Greater Palm Beach is but 36 hours from New York City. Its business is in continuous communication with the world's great financial centers. It is the logical business place and residence of the world's social and financial leaders.

This substantial resort city has tripled its permanent population in the last five years. More than \$30,000,000 worth of buildings are now under construction.

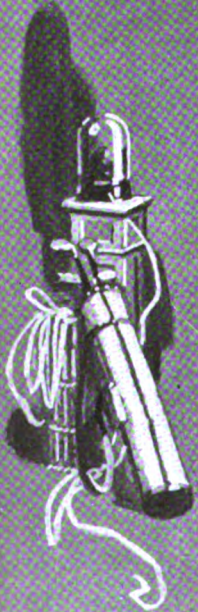
A beautiful illustrated booklet in four colors is ready for you. Write us today, addressing:

**GREATER PALM BEACH CHAMBER OF COMMERCE**

532 Chamber of Commerce Bldg.

West Palm Beach, Florida

*Greater Palm Beach: "Where Summer Spends the Winter"*



it is not intended to disparage other sections of the state where the growth of cities has been more rapid. But Jacksonville and Tampa are the commercial centers of sections of the state longest settled, and where agricultural production has been for a long time well established. This has put these cities on a good foundation, and has placed them in a favorable situation for taking advantage of the general development now going on in their respective localities and throughout the state.

Miami—the “Magic City”—probably represents more concretely than can be found elsewhere the concentration of that intense energy which is rapidly transforming the entire state. Its story is told by Mayor Romfh elsewhere in this issue. Within the last three or four years Miami has leaped from the position of an obscure town to one of the most talked-of cities in the country. The winter population probably approximates 200,000, while by 1930 a population of 1,000,000 is confidently predicted. Already its skyline resembles

that of our metropolitan cities, and building activity is at present limited only by the capabilities of the trains and ships to carry the materials out of which homes and commercial structures are built. The demand for houses and shops far exceeds the present supply or any which can be provided in the near future.

In Miami's adjoining suburb of Coral Gables George E. Merrick has given to the country an example of city planning and building that every city in the country might profitably study. Beauty and utility have been here combined in a way that is unique. His work must provide a lasting and fitting monument to his own genius and enterprise and a source of inspiration to others who may have an ambition to imitate his noble example and fine achievement.

After the modernity of Miami—and there hardly exists a more striking example of modern progress—one may be quickly set down amid the charming old-world atmosphere of Coral Gables.



A Palm Beach winter home



# **FLORIDA BANKERS BOND AND MORTGAGE COMPANY**

**AUTHORIZED CAPITAL \$2,000,000**

---

Specializing in the making of  
Construction Loans, and the  
purchase of First Mortgages, se-  
cured by Income Real Estate in  
the State of Florida.

---

## **Florida Bankers Bond and Mortgage Co.**

*Executive Offices*

**Professional Building**

**WEST PALM BEACH, FLORIDA**

**A State Wide Institution**



A section of Ponce de Leon Plaza. A Spanish wall-fountain is one of the quaint motifs which add charm to the design of the Plaza Ponce de Leon. The slightly tinted stucco is an effective foil for the colorful bougainvillea vine which hangs over it

### *Other Cities*

It is impossible, for obvious reasons, to enter into a description of the many live and interesting cities of Florida. St. Augustine which has quietly rested for centuries in its Spanish atmosphere, is one of the most charming places in the state. Its serenity has been disturbed of late by D. P. Davis, who after winning renown and wealth from Davis Islands in Tampa Bay, has recently begun a \$50,000,000 development on Anastasia Island (Davis Shores) opposite St. Augustine.

Daytona Beach is a progressive and interesting place, especially noted for its long stretch of broad ocean beach where automobiles travel as easily as on the hardest road.

Palm Beach and West Palm Beach, further down the eastern shore, are famous the world over as winter resorts, and here are being developed an important port and cities.

Fort Lauderdale, on the same coast, Key West at the state's southern extremity, Fort Myers and Sarasota more toward the west, are thriving places. Key West is famed for its cigar fac-

ories and is occupying a leading place in the state with reference to foreign trade.

St. Petersburg, on the west coast, the "Sunshine City," is one of the most energetic and attractive cities of the state. It is already a large and important place commercially, and is widely regarded as sure to become even greater. It has fine shops, banks and several splendid hotels, while the streets are broad, clean and—in the residence district—beautifully shaded. Incidentally, it has a daily newspaper larger than the leading paper in New York.

Toward the central or ridge section of the state are Plant City, Lakeland, Orlando and Sanford. There are vast citrus groves, vegetable gardens, lakes and beautiful pines—all forming a panorama of never-ending interest and beauty.

Pensacola, in the northwestern part of the state, has not heretofore developed as rapidly as some of the other cities, but has recently received a fresh impetus of prosperity. It is located in one of the oldest-settled and most productive parts of the state, and with its marine shipping and lately increased

**CONDENSED STATEMENT**  
**First-American Bank and Trust Company**  
**West Palm Beach, Florida**

as of November 20th, 1925

**RESOURCES**

|   |                 |
|---|-----------------|
| Time Loans .....                        | \$ 6,098,710.69 |
| New York Call Loans .....               | \$2,000,000.00  |
| United States and Municipal Bonds ..... | 518,176.23      |
| Other Stocks and Bonds .....            | 115,000.00      |
|   | 2,633,176.23    |
| Overdrafts .....                        | 7,630.82        |
| Bank and Office Building .....          | 300,000.00      |
| Furniture and Fixtures .....            | 44,820.22       |
| Cash on Hand and in Other Banks .....   | 4,269,764.62    |
| Other Real Estate .....                 | 26,832.02       |
| All Other Resources .....               | 5,992.69        |
|   | \$13,386,926.79 |

**LIABILITIES**

|                                     |                 |
|-------------------------------------|-----------------|
| Capital Stock .....                 | \$ 300,000.00   |
| Surplus and Undivided Profits ..... | 318,751.74      |
| Dividends Unpaid .....              | 110.00          |
| Deposits .....                      | 12,768,065.05   |
|                                     | \$13,386,926.79 |

E. M. BRELSFORD, President  
 F. E. DECKER, Vice-President  
 S. C. KEARLEY, Vice-President

H. L. DONALD, Vice-President  
 J. WARREN SMITH, Trust Officer  
 JOHN C. McNIEL, Cashier

# Safe 8% Bonds

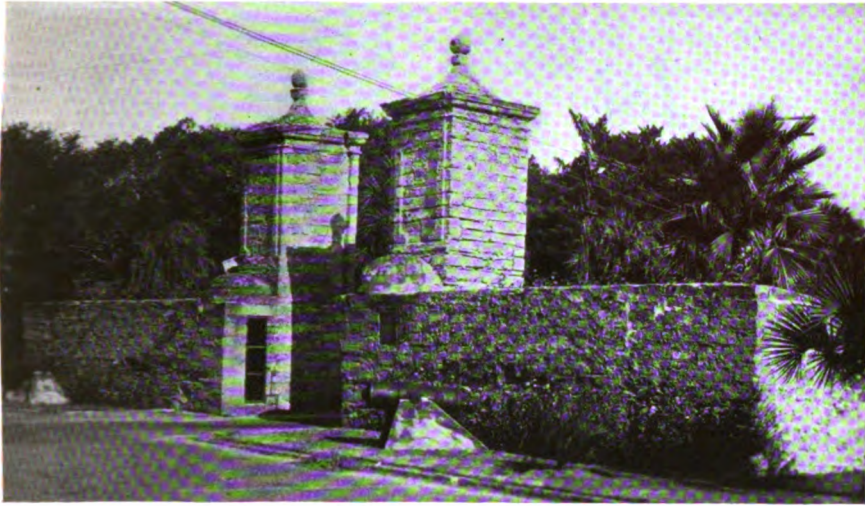
## Representatives Wanted Liberal Commissions Paid

We endorse each bond, guaranteeing interest and principal, which we collect and pay promptly. Bonds are secured by first mortgages on centrally located office buildings, commercial property, apartments and hotels in Florida worth twice amount of loan. Many insurance and trust companies purchase our securities. Our company, established several years ago, specializes in first mortgage loans. Booklet BM gives full particulars.

## Palm Beach Guaranty Company

Net Assets Over \$1,250,000

Guaranty Building, West Palm Beach, Florida



The old city gates to St. Augustine, built by the Spaniards in 1804

railroad facilities should have its share of the general prosperity.

#### *Hotel and Housing Accommodations and Prices*

In December the hotels were not unduly crowded. Prices were rather high, as they are in most American hotels, but not exorbitant. Naturally, some of the great luxurious resort hotels are expensive, as they are everywhere. The commercial hotels of the best class were charging, in December, for room and bath from \$4 to \$6 a day, or \$12 on the "American plan." The rooms, food and service are generally excellent.

Housing accommodations in Florida generally are very inadequate, due to two causes—the great rush of people to the state, and the inability to secure building materials because of the existing freight embargo. This shortage of housing is a serious obstacle to the state's progress, making it difficult for persons of moderate means and income to meet their living expenses. The people of Florida realize the seriousness of this problem, and are meeting it as best they can. The railways are adding to their facilities and water transportation is being employed. With all that

can be done, however, it must be some time before the housing shortage can be remedied. Rentals for houses and apartments are bound to remain high while the present rush to Florida continues and so long as the embargo on building materials lasts.

#### *Florida's Many Attractions*

These could be dwelt on endlessly. With over 2000 miles of coast line, more than 30,000 lakes, and numerous rivers, estuaries and canals, Florida has a reach of water frontage perhaps unmatched elsewhere. This affords facilities for commerce, for sport, for building homes overlooking the water, and for the creation of cities rivalling Venice for beauty of situation.

Boating, golf and all outdoor sports may be indulged in throughout the winter; fishing can be carried on not merely as a recreation, but for the purpose of catching fish, and wild game of several kinds still abounds.

The naturalist will find great delight in studying the strange trees, plants, flowers and other forms of life, while the artist will be charmed with the wonderful sunsets and the beauty of the landscape with its tropical and semi-

*1st*  
*in*  
**St. Petersburg**  
**FLORIDA**

*"The Sunshine City"*



St. Petersburg, the famous "Sunshine City" of Florida, has had an amazing growth. In the past four years its population has more than doubled and its building permits and bank deposits have more than tripled.

With this astonishing growth the First National Bank of St. Petersburg has more than kept pace.

Through its co-operation with the men who are making St. Petersburg and developing Florida as a whole, it has become one of the largest and strongest banks in the state, with total resources now over fifteen million dollars.

**1st. National Bank**  
**of St. Petersburg, Florida**

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

Total Resources Over Fifteen Million Dollars

tropical foliage. It is useless to say much of Florida's great attraction—its climate. Not only are the winters warm, but there is generally a most agreeable softness in the atmosphere which adds to one's enjoyment.

Added to these material advantages, Florida has churches, schools, colleges and universities, great newspapers, and all the social organization of the most advanced communities.

The state exempts wealth from inheritance and income taxation by constitutional prohibition, and welcomes capital and enterprise.

*Florida's Future*

The foundations on which Florida's lasting prosperity must be built have already been indicated, not from an outside viewpoint, but from that of the leading bankers and business men of the state. No account is here taken of real estate prices—they may go up or down. As has been said, the real attractions and values remain without regard to real estate prices. Speculation in real estate—selling the land over and over again without adding anything to its real value—has been already carried, in many localities, too far, and has been of no economic benefit to the state. Unless checked, it may prove a serious injury. The belief prevails to some extent that this restraint is already being

imposed. It must be admitted that speculation is neither illegal nor immoral, and that in some of its aspects it has been defended; but carried beyond prudent limits it becomes dangerous to him who engages in it and of no benefit to the community. As long as people keep on buying Florida lands at present or higher prices, speculation in these lands will continue. Speculation will end only when the sellers begin to outnumber the buyers. Then prices, where they have gone too high, will automatically adjust themselves to a more stable basis.

In forming an opinion of Florida real estate prices due consideration must be given to those developments on which millions of dollars have been expended in improvements. These expenditures represent added value, for which buyers must expect to pay.

If in some places the prices of real estate are bound to decline, as surely in other places they will advance. This latter statement applies particularly to tracts now undeveloped but which will later be improved; and as a greater portion of the state will in time be thus improved, a general advance in prices—at least over a series of years—may be expected.

In its undeveloped lands, attractive climate, great variety of resources, and in its enterprise and industry Florida has secure foundations for a great future.

**CITRUS FRUIT PRODUCTION IN FLORIDA**

(From U. S. D. A. Bureau of Agricultural Economics, Division of Crop and Livestock Estimates)

| Season          | Oranges<br>boxes | Grapefruit<br>boxes | Total<br>boxes |
|-----------------|------------------|---------------------|----------------|
| 1918-1919 ..... | 3,700,000        | 5,200,000           | 8,900,000      |
| 1919-1920 ..... | 7,000,000        | 5,500,000           | 12,500,000     |
| 1920-1921 ..... | 8,100,000        | 5,100,000           | 13,200,000     |
| 1921-1922 ..... | 7,300,000        | 6,000,000           | 13,300,000     |
| 1922-1923 ..... | 9,700,000        | 7,200,000           | 16,900,000     |
| 1923-1924 ..... | 12,400,000       | 8,000,000           | 20,400,000     |

Note: The Florida State Plant Board reports that on February 28, 1919, there was a total of 11,356,414 citrus trees on an acreage of 160,397; while on December 31, 1923, this number had increased to 16,677,227 trees on 253,570 acres.

# American Bank & Trust Company

ST. PETERSBURG, FLA.

*Statement of condition at the close of business, Dec. 1st, 1925*

## RESOURCES

|   |                       |
|---|-----------------------|
| Loans and Discounts .....                   | \$5,246,669.94        |
| United States Treasury Certificates .....   | 826.00                |
| Bonds .....                                 | 958,650.40            |
| Banking House, Furniture and Fixtures ..... | 145,988.49            |
| Claims and other resources .....            | 2,000.00              |
| Overdrafts .....                            | 1,234.27              |
| Cash on Hand and in Banks .....             | 2,099,297.61          |
|   | <b>\$8,454,666.71</b> |

## LIABILITIES

|                         |                       |
|-------------------------|-----------------------|
| Capital Stock .....     | \$ 200,000.00         |
| Surplus .....           | 200,000.00            |
| Undivided Profits ..... | 210,940.88            |
| Bonds Borrowed .....    | 120,000.00            |
| Dividends Unpaid .....  | 160.00                |
| Deposits .....          | 7,723,565.83          |
|                         | <b>\$8,454,666.71</b> |

Deposits—December 2, 1925.....\$7,723,565.83

Deposits—December 1, 1924.....4,928,365.11

Increase—57 per cent.....\$2,795,200.72

**A letter to us from Northern banks will insure their depositors a satisfactory banking connection while in St. Petersburg**

## Rapid Progress--

The Alexander National Bank was opened January 12, 1925 with deposits of less than \$200,000.

Its deposits are now over \$3,000,000.

This rapid progress proves conclusively that the volume of business in St. Petersburg is expanding from day to day, and that the Alexander National Bank is keeping pace with it.

*U. S. Depository  
Member Federal Reserve*

**Alexander National Bank  
St. Petersburg, Fla.**

Central Ave. at Seventh

# 8%

Securities of

*The* **Franklin  
Mortgage  
Company**

FRANKLIN BUILDING  
St. Petersburg, Florida  
1ST AVE. NORTH & FOURTH ST.  
OPPOSITE POST OFFICE.

8% FIRST MORTGAGE  
REAL ESTATE  
**BONDS**



A grapefruit grove near Jacksonville

## The Stability of Florida

By Hon. John W. Martin

Governor of Florida

**T**HERE need be no misgivings as to the stability of Florida. The state has a monopoly on some things the world wants and an equal chance on many necessities and luxuries.

Florida's claim on a desirable climate, which is accessible from the great centers of population, is perpetual and cannot be preëmpted. Millions will flow to Florida in a golden stream from all over the North so long as the climate of North America remains as it is.

There is no other section that can place winter-grown fresh vegetables in the eastern markets with the dispatch that it is done from Florida. This is permanent and cannot be changed.

Florida has a splendid resource in its fisheries, salt water fish, shell fish, and fresh water fish. There is no reason why this asset cannot be made to be perpetual.

The value of a home in Florida is not confined to its earning power and to a degree this is true of other investments. Satisfaction in living where you want to

live enters largely into the value of the investment.

Florida is just beginning to be developed, and that is why its future is assured. This applies to agriculture, industry, commerce and finance. There is not a town or city in Florida that is not capable of a still larger, healthy growth. None of them are finished. There are 10,000,000 acres just as susceptible of cultivation as are the 2,500,000 now being plowed. There is no chance for all this to lie idle indefinitely. This spells stability.

The production of citrus fruits is sure to remain one of the largest assets of the state. Climate fixes the metes and bounds of this product.

The mineral output of the state may not be perpetual in phosphate and Fullers' earth, but the production is far from exhausted, and there are rare clays and other minerals which will last indefinitely.

Nothing is happening in Florida to



## Our Situation in Florida

Is improving every day, adding accounts at the rate of \$100,000 weekly, with one in every five a savings depositor—Because this is

*"The Bank of Friendly Service"*

# The Peoples Bank & Trust Co.

St. Petersburg - - Florida

stem the rising tide of values or to check the progress of the state. In a few instances there may be cases which indicate an overflare of value in a particular piece of property, but things like this

have happened in every state in the country.

### *The Future Commerce of Florida*

The future commerce of Florida is assured because the state's strategic position on the map of the world. Trade follows the line of least resistance, and Florida is on the trade route to the southern hemisphere with unlimited future possibilities. The remote future is more certain than the immediate future.

More millionaires are investing in Florida than are making investments in any other new territory—they have not quit. I wonder if all of them are mistaken? Can it be that they are shortsighted? If they know what they are doing, the future of Florida is safe.

Does any one imagine that people are going to quit wanting Florida fruit?

Does any one believe that the increasing output of dairy and poultry products will have no sale?

Does any one suppose that people are going to cease to buy Florida vegetables, strawberries, blackberries, blueberries, pineapples, figs, white potatoes and yams?

Does any one assume that people are going to lose their taste for Florida fish?

Does any one suppose that there is going to be no more demand for Florida lumber, turpentine, and rosin?

Does any one anticipate that people

## The Fort Lauderdale Bank & Trust Company

Statement of Condition at the close of business, October 15, 1925

|  |                       |
|--|-----------------------|
| Loans and Discounts.....                   | \$3,400,653.21        |
| Overdrafts .....                           | 119.20                |
| Banking House, Furniture and Fixtures..... | 160,018.14            |
| Stocks and Bonds .....                     | 192,292.30            |
| Cash and Due from Banks .....              | 4,513,058.18          |
|  | <b>\$8,266,141.03</b> |
| Capital Stock .....                        | \$ 100,000.00         |
| Surplus and Profits.....                   | 139,612.63            |
| DEPOSITS .....                             | 8,026,528.40          |
|  | <b>\$8,266,141.03</b> |
| Deposits Oct. 15, 1925.....                | \$8,026,528.40        |
| Deposits Oct. 15, 1924.....                | 1,402,826.40          |
| Increase in one year.....                  | \$6,613,702.00        |



Growing tomatoes in Manatee County, Florida

are going to no longer need Florida phosphates and Fullers' earth?

Does any one think, with better and better roads being built and more and more people taking annual vacations, that they are going to stop visiting Florida?

Does any one suspect that human nature will be so changed that people will not prefer the embraces of the southern zephyrs and the limpid waters of the Gulf or the Atlantic in mid-

winter, tempered by the Gulf Stream, to the blizzards of the North?

When more people have made money by investing in Florida during the last five years, and fewer lost, than in any other state; do you think that progress is all over? When bondholders consider Florida one of the best risks in the world, and no calamity has overtaken us and none is in sight, is not the future of Florida as well assured as is that of any state?

**MONTHLY SUMMARY OF FLORIDA'S CLIMATE FOR 1924**

| Month           | Temperature |         | Precipitation |         |
|-----------------|-------------|---------|---------------|---------|
|                 | Average     | Highest | Lowest        | Average |
| January .....   | 59.9        | 88      | 12            | 4.12    |
| February .....  | 58.0        | 88      | 24            | 3.30    |
| March .....     | 61.1        | 92      | 25            | 3.79    |
| April .....     | 70.8        | 96      | 34            | 3.34    |
| May .....       | 75.0        | 103     | 43            | 3.06    |
| June .....      | 81.6        | 102     | 61            | 6.16    |
| July .....      | 81.4        | 101     | 59            | 9.76    |
| August .....    | 82.8        | 103     | 62            | 4.26    |
| September ..... | 78.8        | 102     | 43            | 8.31    |
| October .....   | 71.7        | 94      | 37            | 10.82   |
| November .....  | 65.1        | 88      | 23            | 0.54    |
| December .....  | 63.3        | 87      | 23            | 2.26    |
| Year .....      | 70.8        | 103     | 12            | 61.62   |

# Agricultural Production and Potential Resources of Florida

By T. J. Brooks

Director of the State Bureau of Immigration, Department of Agriculture

**T**HE 2,500,000 acres now in cultivation in Florida are no better than the 10,000,000 other acres which the plowshare has never turned.

The acreage now in bearing citrus groves brought the growers net \$15,000,000 for the 1924-25 crop. This same acreage will bring twenty odd million dollars for the 1925-26 crop as growers had already received by December 15 as much as the previous crop yielded. The retail purchasers will pay \$125,000,000 for this crop.

And the acreage to bearing groves is only 160,000.

The value of the various truck crops is \$17,000,000 to \$18,000,000 annually. The leading crops of this class are tomatoes, beans, potatoes, cabbage, lettuce, celery, watermelons, cucumbers, pepper, followed by a score of others of minor importance.

And the acreage to truck crops is 115,000.

General field crops yield well. The annual corn crop is from 8,000,000 to 10,000,000 bushels; sugar cane \$2,000,000; peanuts \$3,000,000; tobacco 4,500,000 pounds; cotton 21,000 bales.

The state has 263,000 head of cattle, 505,000 head of swine, 43,000 head of mules and 31,000 head of horses.

There are 60,000 farms and only one-fifth are operated by tenants. The value of these farms as stated by the Federal Agricultural Census for 1925 was \$480,000,000.

Multiply all the above by five and you will have the actual proved agricultural potentialities of Florida. Simple question of calculation. And then think of the millions of acres not thus accounted for!

The greatest income of the state from any one source is, and always has been, from timber. Timber and naval stores together yield more than \$50,000,000 in revenue annually.

If this wonderful heritage were properly conserved it would continue to be a prime source of wealth for an indefinite period of time.

The mineral output in Florida averages about \$12,000,000 annually.

The fish industry amounts to \$15,000,000 annually.

Manufacturing is showing a steady and healthy growth. It has reached no mean proportions in Jacksonville, Tampa and Pensacola. Including in this class the lumbering interests, we have a manufacturing industry representing more investment than can be shown by a number of other states.

## *Florida's Greatest Asset*

The greatest asset to Florida is her 1,263,549 inhabitants. These inhabitants have taken into custody the soils, climate, seasons and are developing a worthy commonwealth. The immigrants wanted are such as will become a part of its homogeneous citizenship. There is no more doubt of the future of the state if populated by a splendid people than there is of the future of civilization itself.

The fact that the spectacular rise in values has lent a hazy romance to the state of late should not obscure the real Florida. Speculation is incidental and will pass and leave the foundation unaffected on which a substantial state is being built.



A view of Miami's skyline

# Miami—The Magic City

Its Progress Described by Mayor E. C. Romfh

**T**HE general progress of Miami must, of necessity, be viewed from different angles. While Miami's progress was steady from 1905 to 1920, yet it was the population showing in the 1920 census that attracted national attention. The growth of the city between 1910 and 1920 represented a population increase from 5471 to 29,549. The state census of 1928 gave the city 47,021. The state census of 1924 placed the figure at 71,419. Since, a census survey made in October 1925, places the present pop-

ulation at 127,061, an increase of 880 per cent. over 1920. I believe that these later figures are conservative.

It has been the proud boast of Miami that figures tell the tale of its advancement.

### *Bank Clearings*

A comparative statement of clearings issued by the Miami Clearing House Association shows that the increase for 1925 is more than \$700,000,000 over the corresponding period of last year.

The statement follows:

|  | (1924)                  | (1925)                  |
|--|-------------------------|-------------------------|
| January .....                              | \$ 15,501,644.46        | \$ 89,941,859.14        |
| February .....                             | 16,126,136.66           | 46,097,298.47           |
| March .....                                | 19,470,196.27           | 65,828,428.11           |
| April .....                                | 18,639,126.60           | 73,824,634.84           |
| May .....                                  | 16,715,006.96           | 75,639,018.02           |
| June .....                                 | 15,244,920.66           | 79,309,886.40           |
| July .....                                 | 13,305,789.98           | 106,060,291.43          |
| August .....                               | 12,263,956.88           | 135,005,448.84          |
| September .....                            | 14,468,896.18           | 124,464,044.13          |
| October .....                              | 17,649,560.94           | 115,100,692.92          |
| November .....                             | 22,701,678.81           |                         |
| December .....                             | 30,265,866.00           |                         |
| <b>Total for year .....</b>                | <b>\$212,353,780.40</b> |                         |
| <b>Total first 10 months of 1925 .....</b> |                         | <b>\$861,291,549.48</b> |
| <b>Total first 10 months of 1924 .....</b> |                         | <b>159,386,235.59</b>   |

*Growth of Deposits*

A comparative statement of the deposits of Miami banks between 1914 and 1925 gives an idea of the rapidity of the growth. The figures for 1924 and 1925 include only the members of the Miami Clearing House Association.

The statement follows:

|                    |                 |
|--------------------|-----------------|
| December 31, 1914  | \$ 3,637,621.00 |
| December 31, 1916  | 8,185,580.00    |
| December 31, 1918  | 8,289,386.00    |
| December 31, 1919  | 14,360,853.00   |
| December 31, 1920  | 17,221,752.00   |
| December 31, 1921  | 15,922,535.00   |
| December 31, 1922  | 20,334,492.93   |
| December 31, 1923  | 27,738,614.10   |
| December 31, 1924  | 56,270,668.86   |
| September 28, 1925 | 191,278,969.68  |

*Construction Record for 1925*

The construction record for the ten months of 1925 is as follows:

|           |                 |
|-----------|-----------------|
| October   | \$10,182,425.00 |
| September | 5,808,989.00    |
| August    | 6,024,177.00    |
| July      | 4,443,406.50    |
| June      | 6,688,952.00    |
| May       | 4,917,400.00    |
| April     | 2,729,548.00    |
| March     | 2,599,480.00    |
| February  | 2,716,990.00    |
| January   | 1,058,631.00    |
| Total     | \$47,164,998.50 |

It must be understood that the above figures are for the City of Miami and do not include construction in the suburbs.

Increase in valuation as shown on city assessor's record, on a basis of 65 per cent. of the market value, shows:

|      |              |
|------|--------------|
| 1914 | \$ 6,635,837 |
| 1915 | 13,029,343   |
| 1916 | 21,149,950   |
| 1917 | 23,999,000   |
| 1918 | 28,495,310   |
| 1919 | 39,258,925   |
| 1920 | 52,234,550   |
| 1921 | 58,571,310   |
| 1922 | 64,967,724   |
| 1923 | 69,911,300   |
| 1924 | 87,469,874   |
| 1925 | 166,898,974  |

Post office receipts have grown as follows:

|      |              |
|------|--------------|
| 1914 | \$ 67,547.62 |
| 1915 | 71,033.75    |
| 1916 | 95,923.81    |
| 1917 | 126,189.25   |
| 1918 | 171,262.79   |
| 1919 | 185,162.79   |
| 1920 | 203,956.63   |
| 1921 | 229,753.48   |
| 1922 | 245,423.16   |
| 1923 | 301,657.88   |
| 1924 | 414,380.96   |
| 1925 | 690,611.83   |

*Growth of Shipping*

More significant than anything else of the importance that Miami is occupying in the commercial world, is the growth of shipping. Seven steamship companies operate eleven regular steamship services into Miami, while Albury & Co., independent importers and exporters, are agents or operators of a passenger service to Nassau, two regular steamship services and three regular schooner services as well as numerous schooners and steamers which call there occasionally.

Expansion of the harbor and deepening and widening of the channel were recently definitely decided upon by the city governments of Miami and Miami Beach. This will include dockage, more than one mile in length, extending from the City of Miami to an island off Miami Beach. The channel will be deepened to thirty feet, and will be eighty feet in width. All plans for this work are complete and financing is assured. When finished, this harbor will accommodate vessels of all types and of unlimited number.

The factors that are contributing to building up Miami are the attraction of the sound financial investment institutions and men of the country and the indomitable spirit of the men and institutions who have acquired wealth in the past growth of the city. The sound theory that Miami and Florida will continuously attract people who wish to spend a part of the year here, in a climate nowhere else to be obtained, seems to be increasingly impressed upon men of importance.

The short distance between Miami

and the North has but recently been recognized. The conservative advertising done by the cities and state has been widely augmented by the transportation lines and perhaps more people now are thoroughly acquainted with the advantages of Florida than at any other time in the state's history and are undoubtedly better informed as to climate, agricultural and business conditions

there than they are of any other section of the world. It is easier to obtain facts about Miami and Florida than it is of any other section.

The convenience of this section as related to the popular centers of the North, is probably the greatest factor in Miami's growth. But as I have indicated in the opening paragraphs, actual figures tell the story.

## Everglades of Florida

[From information furnished by the Florida Development Board]

**T**HE Everglades are located in the southern portion of the Florida peninsula and extend 100 miles north and south by 45 miles east and west. They consist of level prairie, and, in their natural condition, were usually covered with shallow water and supported a varying growth of sawgrass and other semi-aquatic vegetation. The land surface varies from 6 to 20 feet above sea level. The great Lake Okeechobee, second in size of fresh water lakes within the United States, is at the head of the Everglades, and the overflow from it, together with heavy rainfall, are the causes of inundation of the territory. When in the middle of this lake, one is out of sight of land.

The Everglades were patented or deeded to the state by the Federal Government in 1903 for drainage purposes. Prior to 1905 the Everglades remained in their primeval condition and little was known of the soil, fauna or flora. The Seminoles had their home on the edge of this vast inundated prairie and subsisted by hunting and fishing in the interior.

Reclamation of the land is authorized by state law and is being accomplished by canals and other drainage works. The main canals generally are 50 to 100 feet wide and 10 to 20 feet deep, with the exception of the Okeechobee-

Saint Lucie Canal, which is 200 feet wide and 81 feet deep at the greatest depth of cut.

The soil of the everglades consists principally of muck or peat and is very valuable as farm land when drained. Drainage operations started in a small way in 1905, and since 1910 have been progressing on a large scale. Extensive farming is going on, though in comparison to the great area, only a small proportion is thus far drained and under cultivation. In many sections of the glades profitable farms, thriving communities, and progressive towns have taken the place of watery waste and uninhabited wilderness. Locks and dams in the canals make navigation possible for boats as long as 100 feet, with proportionate width and draft. Boats may cross the state from the Atlantic Ocean to the Gulf of Mexico via the canals and Lake Okeechobee. Railroads and hard-surfaced roads have been and are continuing to be built and canal construction, settlement and cultivation is advancing from year to year. The soil is adapted to sugar cane, corn, potatoes, various grasses, peanuts, and other staple crops. Orange groves may be found in certain sections of the Everglades, and bananas and avocados do well in many localities. The lands are also well suited to truck crops which

bring high prices in the winter markets. The health of people living in the Everglades is as good as anywhere else in the country.

Florida has embarked upon one of the greatest reclamation projects ever undertaken by any state in the Union. The drainage of the Everglades and contiguous territory has for its object the transforming of 4,000,000 acres of hitherto useless watery waste into land

fit for homes, schools, churches, and all those things going with settlement, cultivation, and development. The turning of this expanse into land means adding more than 6000 square miles of territory to the domain of the state, which is equivalent to annexing a strip of land 60 miles wide and 100 miles long, or an area greater in size than the states of Rhode Island and Connecticut combined.

## Indications of Florida's Growth

### The Progress of Some of the State's Cities

#### *Jacksonville*

**J**ACKSONVILLE is regarded as the industrial, distributing and commercial center not only for Florida but a large portion of the Southeast, on account of its location and transportation facilities, having a thirty foot channel to the sea and direct steamship sailings to all parts of the world and being served by five trunk line railroads. There are large public and private warehouses.

It is fast developing as an important port for imports and exports.

A recent survey gives Jacksonville 484 industries with 187 classifications and a total output valued at approximately \$100,000,000 annually.

The Jacksonville Chamber of Commerce maintains an industrial division in charge of Herbert Stanley, formerly industrial commissioner of Memphis, Tenn., and on a recent visit to New York he booked twelve industries for Jacksonville whose total investments in their plants will involve over \$8,000,000.

The population of Jacksonville, according to the Polk City Directory census of 1925 was 136,663, representing an increase of 50 per cent. over the figures for 1920.

It was estimated that the building permits for 1924, aggregating \$7,811,497, would be doubled for 1925.

The progress of the banks of Jacksonville in the last five years is shown in the accompanying table:

|                                     | Sept. 8, 1920   | Sept. 28, 1925  |
|-------------------------------------|-----------------|-----------------|
| Capital .....                       | \$ 1,750,000.00 | \$ 2,800,000.00 |
| Surplus and undivided profits ..... | 2,537,130.28    | 3,357,661.84    |
| Deposits .....                      | 45,026,904.16   | 125,181,084.15  |
| Total resources .....               | 52,618,265.74   | 133,245,369.65  |

#### *Tampa*

Tampa has approximately 500 different kinds of business being carried on in the city and section. The city combines the attractions of a resort with the advantages of a manufacturing center and the stability of a great seaport with a large wealth-producing back country.

Tampa has been growing for the last thirty-five or forty years and during the last five years the population has doubled. From a city of 51,000 in 1920 it has grown to at least 100,000 within the city limits.

Building permits for construction within the present city limits were nearly \$5,000,000 during September and the total for the year 1925 will probably be more than \$20,000,000. There are at least 5000 homes under

construction in the city and close-in suburbs, and about fifty apartment houses are under way.

Tampa's greatest strength is in her port. She has one of the finest natural land-locked harbors in the country and a deep-water channel of thirty feet which is being dredged to thirty-three feet. There is an important export business with the countries of Central and South America, phosphate, lumber and manufactured articles being sent out in exchange for hardwoods, tobacco, coconuts and tropical fruits. Tampa ships large quantities of phosphate, the finest phosphate mines being within 75 miles of the city. Tampa has also a very active trade with coastwise ports, all sorts of commodities, especially building materials, being shipped in by water.

Tampa is a manufacturing city with no smoky factories. More hand made Havana cigars are made here than in any other city in the world and in addition all sorts of articles for use in the home and for building. According to a

recent estimate Tampa's payroll is approximately \$1,000,000 per week. The wholesale trade of Tampa amounts to about \$75,000,000 a year.

Growth of Tampa's Banks

|                           | 1920             | 1925             |
|---------------------------|------------------|------------------|
| Capital .....             | \$ 3,040,000.00  | \$ 4,090,000.00  |
| Surplus and profits ..... | 1,947,633.59     | 3,223,964.20     |
| Deposits .....            | 24,054,915.69    | 99,626,952.22    |
| Resources .....           | 33,485,201.30    | 111,084,031.60   |
| Bank clearings.....       | \$125,066,166.55 | \$451,656,016.61 |

Daytona Beach

The City of Daytona was founded in 1879. On August 4, 1925, a consolidation was effected with the adjoining municipalities of Seabreeze and Daytona Beach, the name Daytona Beach being selected for the greater city. The post office and railroad stations are now Daytona Beach. The area of the new city is 38.15 square miles.

Daytona Beach is located on the Atlantic Ocean and the Halifax river, part of the inland water route from Jacksonville to Miami. It is on the main line of the Florida East Coast Railway and the Dixie Highway. The

Statistical Survey of the Palm Beaches

West Palm Beach, Florida

|                                 |                 |
|---------------------------------|-----------------|
| Population (permanent):         |                 |
| 1920 .....                      | 8,659           |
| 1925 .....                      | 35,000          |
| Building permits:               |                 |
| 1920 .....                      | \$ 992,305.00   |
| 1925 (Jan. 1 to Sept. 30) ..... | 12,729,968.00   |
| Assessed valuations:            |                 |
| 1920 .....                      | \$15,000,000.00 |
| 1925 .....                      | 60,000,000.00   |
| Post-office receipts:           |                 |
| 1920 .....                      | \$ 20,257.11    |
| 1925 (Jan. 1 to Sept. 30) ..... | 138,612.44      |
| Bank deposits:                  |                 |
| 1920 (March 14) .....           | \$ 3,446,071.38 |
| 1925 (Sept. 30) .....           | 43,952,348.00   |

Palm Beach, Florida

|                                     |                 |
|-------------------------------------|-----------------|
| Population (permanent):             |                 |
| 1920 .....                          | 1,135           |
| 1925 .....                          | 5,000           |
| Building permits:                   |                 |
| 1920 .....                          | \$ 678,432.00   |
| 1925 (Jan. 1 to Sept. 30) .....     | 2,958,546.00    |
| Assessed valuations:                |                 |
| 1920 .....                          | \$ 5,980,459.00 |
| 1925 .....                          | 19,000,000.00   |
| Post-office receipts:               |                 |
| 1922 .....                          | \$13,585.05     |
| 1925 (Jan. 1 to Sept. 30) .....     | 32,902.54       |
| Bank deposits (March 14 each year): |                 |
| 1923 .....                          | \$ 682,810.81   |
| 1925 .....                          | 2,392,266.36    |

The Palm Beaches—September 30, 1925

|  |                  |
|--|------------------|
| Population .....   | 40,000           |
| Building permits (Jan.1-Sept. 30) .....                    | \$ 15,688,514.00 |
| Assessed valuation 1925 .....                              | 79,000,000.00    |
| Actual valuation conservatively estimated to be over ..... | 150,000,000.00   |
| Post-office receipts (Jan. 1-Sept. 30) .....               | 171,514.98       |
| Bank deposits Sept. 30 .....                               | 44,939,348.00    |



## FLORIDA'S INCOME FOR 1925

| Product                               | Value                  |
|---------------------------------------|------------------------|
| Fruits crops .....                    | \$ 30,000,000          |
| Field crops .....                     | 22,000,000             |
| Truck crops .....                     | 18,000,000             |
| Milk and butter .....                 | 7,000,000              |
| Eggs and poultry .....                | 8,000,000              |
| Livestock .....                       | 9,000,000              |
| Minerals .....                        | 20,000,000             |
| Lumber .....                          | 30,000,000             |
| Naval stores .....                    | 20,000,000             |
| Fisheries .....                       | 14,000,000             |
| Manufacturing .....                   | 150,000,000            |
| Tourists' trade .....                 | 100,000,000            |
| <b>Total .....</b>                    | <b>\$428,000,000</b>   |
| <b>Assessed state valuation .....</b> | <b>\$445,103,191</b>   |
| <b>Commercial value .....</b>         | <b>\$9,000,000,000</b> |

population has increased from 6245 in 1920 to 21,500 permanent residents at the present time.

Provision is being made for a deep harbor from the Atlantic into the wide Halifax river via the ocean inlet, to serve as an outlet for one of the best agricultural sections of the state, and to accelerate the growth of Daytona Beach as a commercial center. A new concrete bridge across the Halifax costing \$500,000 will facilitate communication with the world famed beach, and a new paved highway across Volusia county for which a bond issue has been authorized in the amount of \$2,000,000 will give direct communication with the west coast.

The beach, which is 500 feet wide at low tide, and twenty-three miles long, is hard and smooth, and is famous as a driving and racing course.

The progress of Daytona Beach is indicated by the fact that building permits, which amounted to only \$220,345 in September, 1924, were \$1,384,600 for the same month of 1925, and from the further fact that bank deposits increased from \$2,868,915 on January 30, 1920, to \$18,948,625 on October 20, 1925.

*Sarasota*

In 1900, Sarasota had a population of 500 to 600. In 1920 what is now greater Sarasota had 2947 people. The state census taken early in 1925 showed 8284 people. Today this territory has at least 12,000 people. The need of the community at present is 1000 additional homes.

The post office receipts jumped from \$11,347.03 for the year 1920 to \$46,229.59 for the first nine months of 1925, indicating at least \$70,000 for the entire year.

Documentary stamps tell the tale of realty transactions. For the entire year of 1924 \$15,461,020 represented the realty sales—for the first nine months of 1925 the same source of figures shows \$37,464,440 of sales had been consummated, exclusive of contracts and binder sales.

In 1922 building permits in the small Sarasota area totaled \$319,850; in 1923 \$875,490; in 1924 \$1,749,599, and for nine months of 1925 \$3,234,324.

Thirteen months ago Sarasota had a small weekly newspaper. Today it has two newspapers printed seven days a week; and a weekly magazine, besides smaller weekly and monthly publications. These papers run twenty-four pages daily and up to eighty pages Sunday and the weekly to sixty-four pages.

The city is more than a tourist resort, or a winter residence—it has a back country of rich black soil that will grow three to five crops a year. The Palmer Corporation is draining 26,000 acres of this soil, and within a year 2500 families will be doing truck farming on these acres.

This will give Sarasota county a farming community of 10,000 people on this development alone.

The fishing industry and orange industry are large, as are the timber and naval stores industries. The building going on has located many mill working establishments, cement blocks, cement tile, sand-lime brick, sewer tile, tin and



Commercial harbor, St. Petersburg. The city has recently spent \$500,000 on dredging the harbor to accommodate ocean going vessels. A new bond issue of more than \$1,500,000 for harbor improvements is now under way. The port of St. Petersburg has been a material factor in relieving traffic congestion on freight into Pinellas County.

sheet metal work, Spanish grill work, and so on.

### *St. Petersburg*

St. Petersburg—the “Sunshine City”—has long been known as the tourist capital of the west coast, but it is only during the last three years that it has ranked high in importance as a social center. The construction of great resort hotels, the building of several fine golf courses, and the promotion of new sports and recreation, has given the city those attractions which appeal to the sportsman, the socially prominent and the younger element of the Florida resort visitors.

St. Petersburg has gained in permanent population at the rate of approximately 5000 people a year for the last five years. The present population is about 37,000 to 40,000 permanent inhabitants, and approximately 100,000 winter visitors. To accommodate this population there are more than 100 hotels, about 425 apartment houses and more than 18,000 homes.

The commercial side of the city's progress in the last year places it seventh among all cities of the South in building. Building records for the first nine months show a total of more than

\$16,500,000, and among the new projects listed, in addition to hotels, apartments and homes, are a \$1,000,000 Paramount theater and office building, an eleven story office building, an eight story power and light building, a new four story newspaper building, a four story addition to the First National Bank's six story office building, a new high school and numerous other projects. Completion of the deep-water project enables ocean-going vessels to dock at St. Petersburg.

Three new grammar schools have been completed during the last summer and a new high school is now under construction. Approximately 3000 children from northern cities enter the city's schools during the winter season. The schools this year have a capacity of 8500.

Postal receipts have shown an increase of approximately 100 per cent. over the previous year. Assessed valuation of property in the city limits has increased from \$68,335,177 in 1924 to \$106,437,626 in 1925. St. Petersburg has thirty-three miles of waterfront, six miles municipally owned. All public utilities except light and power, including electric railways, water and gas are owned and operated by the

municipality. City tax rate last year was ten mills.

#### GROWTH OF MIAMI BANKS

(An article prepared by Mayor Romfh is printed elsewhere in this number, giving a concise account of Miami's progress.—THE EDITOR.)

|                         | Dec. 31, 1920 | Sept. 28, 1925  |
|-------------------------|---------------|-----------------|
| Capital .....           | \$ 880,000.00 | \$ 2,400,000.00 |
| Surplus and profits.... | 453,457.42    | 3,071,598.20    |
| Deposits .....          | 17,465,796.15 | 191,284,783.64  |
| Total resources .....   | 18,984,051.41 | 196,861,881.84  |

#### CLEARINGS

| Clearing house started January 1, 1924 |                  |
|--|------------------|
| Clearings for year 1924 .....          | \$212,353,780.40 |
| Ten months of 1924 .....               | 141,736,674.65   |
| Ten months of 1925 .....               | 861,211,549.48   |

#### Orlando

The steady growth of Orlando during the last year has kept every kind of business up to the maximum of production. From a record of one and one-half houses being built a day, a year ago, then to three, and six, it is now ten a day, and every trade has naturally increased in the same ratio.

From \$10,000,000 to \$18,000,000, and now above \$21,000,000 on deposit in the five banks, and one in every three residents using an automobile, and nearly every family owning their own home, the general prosperity of Orlando is apparent.

The city has recently placed a contract for street paving and sewer work, the largest single contract for paving ever placed in the South. The work will take two years.

There are over 7000 pupils in the public and church schools of Orlando, 2700 of them being in the two high schools.

There are over sixty different articles manufactured in the city, in marketable quantities, and the pay roll is \$1,000,000 a month.

There are still uncultivated something under 500,000 acres of Orange county land, with equal potential wealth, and of this nearly 500,000 acres only 8000 acres are in soil that so far has not demonstrated any value in growing crops but is most desirable for town sites.

The city of Orlando has 25,000 population, about 7000 homes, mostly

owned by the people who live in them, and more being built at the rate of ten a day. There is a municipally owned water and light plant. There are 7000 pupils in Orlando schools, 2700 in Senior and Junior High Schools alone.

The city is built around thirty fresh water lakes, and they are a part of the park system. Many of these lakes are surrounded by cement paths and have cluster lighting, and have tropical shrubs and flowers in the parkways. There is a public playground system, with a supervisor, and there is also a recreation park for tourists.

In August, September, and October, 1925 the building permits were over \$1,000,000 each month. Permits for the ten months of 1925 totaled \$6,547,991. Postal receipts for the year ending September 30, 1925 were \$181,582.

While Orange county does not grow as much fruit as Polk county, it markets more than any other county, three-fourths of the entire orange crop of the state being marketed through agencies which have headquarters in Orlando. Three-fourths of the whole state's fruit money goes through Orlando banks, and the outgoing messages, pertaining to fruit alone, handled by the Western Union and Postal Telegraph Companies amount to \$100,000 annually.

In Orlando's five banks in September, 1925 the combined deposits totaled \$17,000,000; at the end of October the amount was \$21,000,000.

Orlando has six main highways leading into the main arteries of travel through the state. The city has recently started the paving of sixty-nine additional miles of streets, and the contract calls for two years' work at a cost of over \$2,000,000. More than 100 miles are already paved with brick. The county has 700 miles of hard surfaced roads and contemplates the building immediately of 250 more miles at an estimated cost of \$5,000,000.

#### Coral Gables

The city of Coral Gables, situated within the limits of Greater Miami on

the southwest coast of Florida, is today probably the most talked-of development in the world. In tracing its astonishing growth from a 160-acre avocado grove to a full-fledged city—a growth which has practically all taken place during the last four years—one is most strongly impressed by the fact that the ideals which George E. Merrick originally had before him in planning the city have been maintained practically unaltered.

When Coral Gables was first placed on the market four years ago it consisted of an unbroken estate of approximately 8000 acres, its center situated four miles from the center of down-town Miami. At that time very little developmental work had actually been carried into effect at Coral Gables, although ever since the death of his father in 1912 George Merrick had been adding to the original 160-acre estate with the idea of ultimately building an ideal residential suburb or city.

In the preliminary laying-out of Coral Gables Mr. Merrick had before him two principal ideals—the achieving of an architectural harmony and the complete segregation from the residential districts of such areas as were to be devoted to business and industry. In order to maintain a uniformly high standard of construction the building costs of all residences were fixed at minimums varying between \$25,000 and \$5000 according to location, and only coral rock, poured concrete, concrete block, hollow tile or brick construction was permitted. Roofs, plumbing, and electric wiring had all to conform to most rigorous standards, and every detail of construction had to be submitted to engineers appointed by the administration before being included in any building.

With his strong personal leaning towards Spanish and Mediterranean architecture, Mr. Merrick decided that these types should be the dominating note of Coral Gables.

Certain sections were set apart entirely for private residences; in other

sections apartment houses and hotels were permitted, and still others were reserved for businesses, shops, and industries. All of these sections were laid down with the most careful regard to accessibility and other considerations, and special care was taken to ensure that no two sections which adjoined each other should interfere with each other's conveniences. Finally, and with the object of excluding from Coral Gables any residents who could possibly be classed as undesirable, most stringent regulations were established to govern the transfer of Coral Gables property. No property is sold in the first place to any but an approved purchaser, and this purchaser binds himself in his agreement to obtain the written consent of the administration or its successors before transferring his property to another owner, who himself becomes automatically bound by a similar agreement as soon as the transfer is effected.

There are today more than 1500 residences actually built in Coral Gables, and 1000 more are under construction, irrespective of the very large number of hotels, apartment houses, and business premises either already in operation or now being built. A number of very large organizations, such as the American Building Corporation with its program of 1000 in ten years, are investing sums as high as \$75,000,000 in Coral Gables construction.

Coral Gables has a settled residential population of between 6500 and 7000. In addition to its 1500 residences it has scores of apartment houses and office buildings and four large first-class hotels in full operation. There are two country clubs, four golf courses, large numbers of restaurants, and such additional centers as the Venetian Casino and Pool which are entirely unique in America and probably in the world. The area of the city has now been increased to 10,000 acres, or approximately sixteen square miles, and this area includes 200 miles of paved city streets, forty miles of White Way light-

ing, thirty miles of inter-sectional street lighting, and 400 miles of pavements. \$55,000,000 has already been expended in permanent improvements within the city area. There is one of the most beautiful churches in Florida; three schools; and a bank whose deposits have grown in less than a year to \$2,900,000.

The personal reputation of George E. Merrick and his associates, combined with the evidence of the balance-sheets from time to time issued by the corporation, leave little room for doubt that the huge \$100,000,000 development program, to be completed within ten years, will be carried out according to schedule. The University of Miami, already endowed with \$5,000,000; the thirty-three miles of canal frontage, a great part of which has already been actually constructed; the \$15,000,000 Miami-Biltmore Hotel, the Country Club, and the Casino—all of these things are real and definite factors in determining Coral Gables real estate values. The Miami-Biltmore Hotel, already completed, is backed by the resources of the Bowman-Biltmore Hotel Corporation. Financiers not only in Florida but in New York, Philadelphia, Chicago, Cincinnati, Pittsburgh and the other great business centers of the United States have demonstrated their faith in Coral Gables by the investment of large sums in construction enterprises. A recent estimate of Coral Gables constructional undertakings shows that in residential construction alone more than \$200,000,000 is actually involved in present building operations.

### *Hollywood*

Hollywood-by-the-Sea, Florida's new resort city developed by J. W. Young, lies on the Atlantic Ocean, fifty miles south of Palm Beach and fifteen miles north of Miami. It is on the Florida East Coast railroad, the Inland Water Way canal and the Dixie Highway. Hollywood-by-the-Sea, last October, celebrated its fourth birthday. In that time the city has grown to approxi-

mately 10,000 in population. Palmettos, mangroves and low lands have been transformed into a city of wide streets and boulevards; of resort hotels, business houses, apartments, schools, churches and semi-public buildings—all in Spanish architecture, colors blending with the Florida skies and foliage.

Hollywood-by-the-Sea is an all-year resort, made possible by the Gulf shore. The average winter climate is 68 degrees; in summer, 80.8 degrees.

Hollywood is being built also as an industrial city. In the hinterland of Florida, back of Hollywood, are millions of undeveloped fertile acres. At Lake Mabel, which is part of Hollywood, is being built, under the direction of General George Washington Goethals, builder of the Panama Canal, a \$15,000,000 harbor. J. W. Young is furnishing the funds for this harbor, which will be thirty feet deep, 1500 by 3500 feet, with a channel 300 feet to the Atlantic and two jetties, running into the sea a distance of a mile. About this harbor will be built an industrial center utilizing Florida's rich supply of products and resources as raw materials, ultimately giving employment to skilled, trained workmen.

Hollywood has one of the finest beaches on the Florida east coast. On this beach is the \$3,000,000 Hollywood hotel with 500 rooms, fire-proof, overlooking the Atlantic. During the 1926 season Hollywood will have five resort and commercial hotels. The bathing casino on Hollywood beach, of more than 800 rooms, is one of the finest of its kind in Florida.

Hollywood has an electric power plant, with capacity for a city of 75,000 population. Pure water comes from nineteen driven wells. It has a well organized fire department. Besides the \$3,000,000 Hollywood hotel, it has the Park View, the Great Southern, the Hollywood Hills Inn and the Boulevard Hotel, the last under construction. It has a tent city on the beach, offering living quarters for 1600 persons.

# What About Branch Banking?

Is Branch Banking Desirable, and Should National and State Banks Have Equal Rights Under the Law Regarding It?

By D. C. Elliott

**T**HIS article was awarded second prize in THE BANKERS MAGAZINE prize contest, which was concluded last fall. The author was born in California, and was graduated from Stanford University in 1918. He was with the Federal Reserve Bank of San Francisco in 1919-1920, and was private secretary to A. C. Miller of the Federal Reserve Board, Washington, from 1920 to 1923. He has been with the Federal Reserve Bank of Cleveland since 1923.

**T**HE branch bank question in the United States, although of recent origin, has developed rapidly. Considerable concern is felt at the gradual decline in the number of national banks, and many attribute it in part to the fact that national banks are legally at a disadvantage in the matter of branches.

Branch banking as it affects this country may be broadly resolved into two questions, as follows:

(1) Is branch banking *per se* desirable in the United States?

(2) Should national and state banks have equal rights under the law with regard to branch banking?

It is not the intention of this article to make more than passing mention of the points involved in the first question. That is a whole subject in itself, and lack of space prevents a consideration of the numerous arguments pro and con. Suffice it to say that probably the only way of determining whether this country would be better off under the branch banking system would be to try it on a country-wide basis, and at present this possibility appears remote, the matter of restrictive state laws alone offering a formidable obstacle. Even in the few states where state-wide branch banking has developed, the system has hardly been in effect long enough to have had a fair trial. Only time will show whether our banking system will evolve into one of nation-

wide branch banks, as in practically all foreign countries, or whether, owing to our peculiar conditions, we shall keep largely to the present scheme of independent banking.

This article will deal, then, with the second question. There are really two phases of this problem: first, whether national and state banks shall be on an equality as to branches within the city limits; and, second, whether they shall be equal as to state-wide branch banking. The solution of these matters rests with Congress, since national banks are now virtually without legal authority to establish branches, while this is permitted to state banks in twenty states. Many bankers seem to feel that state-wide branches do not offer much of a problem at present, and that if national banks are given equal rights with state banks with regard to city-wide branch banking, all will be well. This would be accomplished by the passage of the McFadden Bill, which has been before Congress and which has been reintroduced at the present session. It is the contention of this article, however, that the McFadden Bill does not deal satisfactorily with the matter of state-wide branches, and that, in fairness to national banks, this question should be settled now, once and for all.

There will first be taken up the different types of branches, the laws bearing upon branch banking, and the development and extent of branches. The disadvantages of national banks under existing laws will then be discussed, followed by a review of government regulation and the McFadden Bill. Finally, the need of a more far-reaching law will be shown, and a proposed remedy considered.

## *Types of Branches*

Branch banks may first be divided into foreign and domestic. In this arti-

cle, the writer is concerned exclusively with the latter, which may be classified according to (a) location and (b) kinds of business carried on.

As to location, the division into "city-wide" and "state-wide" branches will suffice for the purpose of this discussion. Although the term "city-wide" is sometimes used to include territory contiguous to the city, it means, strictly speaking, within the city limits, and does not include branch banks in the suburban localities which may form part of the metropolitan area. "State-wide" branch banking, of course, refers to banks having branches in other cities or towns in the state. Another division sometimes spoken of is that of "community" branch banking, meaning branches within a certain economic area. As it is so difficult to draw the line in determining just what constitutes a community or economic area, it seems best to put this type of branch under the state-wide division. Mention should also be made of nation-wide branch banking; for, although this offers no problem in the United States at present, it is not unlikely to do so at some time in the future.

As to the kinds of business done, branch banks may be classified into those that have power to make loans, and those that merely serve as paying and receiving stations. This latter type is variously called "additional office," "branch office," "branch agency," or "teller-branch," as distinguished from the full-power branch.

#### *The National Bank Act*

The National Bank Act, passed in 1863, was based to a considerable extent on the free banking act of New York, which prohibited branch banking. Although the act itself neither provides for nor expressly prohibits domestic branch banking, it was held until recently that the intent of the law was to deny the right to establish either full-power branches or teller offices. This view was based largely on the provision (Sec. 5190) that "The usual business of each national banking asso-

ciation shall be transacted at an office or banking house located in the place specified in its organization certificate," and on the express provision (Revised Statutes, Sec. 5155) permitting state banks which convert into national banks to retain branches already in operation.

In 1921, however, Comptroller Crisinger interpreted the law as prohibiting bonafide branches, but not "additional offices" in the same city doing only a teller business. By the end of the next year, about 100 such offices, in states where branch banking was permitted under state law, had been approved by the Comptroller. Early in 1924 the Supreme Court of the United States, in connection with a Missouri case, ruled that the National Bank Act prohibited branches; but it was subsequently held by then Comptroller H. M. Dawes, that the court's decision did not apply to "teller-windows" or "additional offices," and no change was made in the policy of allowing such offices. The exact legal status of these teller branches has not as yet been determined.

#### *State Banking Laws*

At the close of 1924, branch banking was specifically prohibited in seventeen states, and specifically authorized in the same number, while the laws of the remaining fourteen had no provisions with regard to it. Of the last-named group, eleven prohibited, by administrative order, the establishment of branch banks, while the remaining three permitted branch banking, two without restrictions and one with restrictions.

To summarize, twenty-eight states prohibit branch banking either by law or by practice, while it is permitted in twenty states. In ten states of the first group, branches now exist which were established before the passage of the present laws.

Taking the different types of banks authorized by the second group, state-wide branches are legal in eleven states, while the other nine allow only intra-city branches, four of them prohibiting

branch banks proper but permitting branch "offices."

*Development and Present Extent of Branch Banks*

As has been stated, the branch banking problem is now limited to twenty states, and state-wide branch banking to eleven states. The question naturally arises, when did branch banks in this country begin to develop, and how are they distributed at the present time?

Before the passage of the National Bank Act in 1863, branch banking was by no means unknown in this country. Both the First and Second Banks of the United States had branches, and the same was true of a number of state banks, particularly in the South and West. For example, there were twenty-six branch banks in North Carolina in 1860, and the State Bank of Iowa had fifteen at one time.

The great development in branch banking, however, has taken place in the last few years. Accurate information on the number of branches since the Civil War is not available, but in the Federal Reserve Bulletin for December, 1924, there is given a table of growth covering the 2233 branch banks in operation in June, 1924. Of these, only sixty were in existence in 1900. By 1905, the number had grown to 166; in 1910, to 329; in 1915, to 565; in 1920, to 1052, or only about half of the 1924 total. Although this table does not include branches which were discontinued before June, 1924, it gives a good idea of the rapid growth of branch banking in the past several years, and explains why the branch bank question has suddenly assumed such importance.

Now comes the present distribution of the 2233 branches in the United States. This should properly be divided into (1) the number of branches operated by national as compared with state banks; (2) the comparison of city-wide and state-wide branch banking; and (3) the distribution by states. The information is given as of June 1924, and is taken from statistics given in the

Federal Reserve Bulletin for December, 1924.

In June 1924, there were 28,468 incorporated banks in the country, of which 681, or 2.4 per cent., operated branches. One hundred and eight national banks operated 248 branches, while 578 state banks maintained 1985 branches. Of the latter number, 1137 were operated by 191 state banks which were members of the Federal Reserve System. It may immediately be asked, how can 248 branches be operated by national banks if they are prohibited by law from so doing? The answer is that a majority of these branches are "additional offices," established under the recent ruling of the Comptroller. The rest belong to national banks which were originally under state charter, or which consolidated with national banks originally under state charter. Such banks, upon conversion, were allowed to retain their branches under Section 5155 of the Revised Statutes or under the Consolidation Act of 1918.

Branches operated in the city of the parent bank totaled 1463, those outside numbering 770. Of the 248 branches of national banks, only twenty-one were not in the home city, while of the 1985 state bank branches, 749 were outside.

The eleven states permitting state-wide branch banking were Arizona, California, Delaware, Georgia, Maryland, North Carolina, South Carolina, Rhode Island, Tennessee, Virginia, and Wyoming. In these states, together with the District of Columbia, there were 924 branch banks, of which California alone had 538, Maryland standing second with seventy-two. Wyoming had no branches, although the state law gives full permission. The nine states which permitted only intra-city branches were Louisiana, Maine, Massachusetts, New York, Ohio, Kentucky, Michigan, Mississippi, and Pennsylvania, the last four allowing "teller-branches" only. This group had 1227 branch banks, over 70 per cent. of which were in New York (359), Michigan (332), and Ohio (203).

From the above figures, it will be



noted that, although only one bank in forty-two operated branches, the proportion was one branch to every thirteen banks in the country; that over half of the state bank branches were operated by members of the Federal Reserve System; that about one-third of all branches were operated outside the home city; and that the four states of California, New York, Michigan, and Ohio accounted for 1432 branches, or 64 per cent. of the total. It may be added that of the 770 state-wide branches, 289 were operated in California, and that of the sixteen banks in the country operating twenty or more branches, six were in that state.

#### *National Banks at a Disadvantage*

It is seen that the National Bank Act plainly puts national banks at a disadvantage with state banks with regard to branch banking; and that, although it is only within recent years that this disadvantage has become apparent, state bank branches are now becoming numerous, and it is generally agreed that the need for remedial legislation has become pressing. To be sure, there are various ways in which a national bank can get around the law. It can convert into a state bank, acquire branches, and reconvert into a national bank; it can "affiliate" with a state institution possessing branches; or a number of individuals can form a holding company to hold the stock of a chain of national banks, thus providing an interrelation, although each unit is separate. But these processes are cumbersome, and may not be applicable to all localities and conditions; and at all events it seems only fair that national banks should be granted equality under the law, so that they would not be forced to resort to subterfuges in order to evade a law which handicaps them unfairly.

Even with the means of evasion above mentioned, it may be said that in those states which permit branch banking, the large national banks are or may be virtually confronted with the alternatives of converting into state banks in

order to meet the competition of the expanding branch systems, or of sitting helplessly by, merely holding their own, while the state banks gain in resources, power, and prestige. Another angle to the question which should not be overlooked is the fact that the national banks are the backbone of the Federal Reserve System, since all national banks must be members, while state banks are not required to enter the system, and only a small proportion have actually done so. Therefore, any impairment or crumbling away of the National Bank System means a weakening of the Federal Reserve System.

Has the growth of the National Bank System been affected by the branch banking problem? The 1924 report of the Comptroller of the Currency (P. 12) states that: "Since January 1, 1918, 206 national banks, each with a capital of \$100,000 or over, have given up their national charters. They carried with them total assets of \$2,234,000,000, being about 10 per cent. of the total assets of the National Bank System. In the last seven years, sixty national banks in California have been absorbed into the state system, twenty-seven in New York, twenty-three in Ohio, and nineteen in Pennsylvania. It will be noted that these are states in which branch banking is carried on by state banks. These are very significant figures."

Without going into the comparative growth in the number of national and state banks, the above statistics are sufficient to show that national banks are beginning to be affected by the branch bank problem. This is especially true of the larger banks, since those which converted into state banks had 10 per cent. of the total national bank resources, although they comprised only 2½ per cent. of the total number.

#### *Governmental Regulation and the McFadden Bill*

The Governmental agencies most concerned with the National Bank System—the Comptroller of the Currency and the Federal Reserve Board—have long recognized the desirability of amending



Safety deposit vault entrance, Trenton Trust Company, Trenton, N. J.

**T**O make this bronze guarded stairway to the safety deposit vault a center of client interest, security has been combined with an unusually artistic and symmetrical design. This feature is exemplified in the modern banking quarters of the Trenton Trust Company, designed by

**ALFRED C. BOSSOM**  
BANK ARCHITECT & EQUIPMENT ENGINEER  
600 FIFTH AVENUE, NEW YORK

# HIBERNIA BANK & TRUST CO.

NEW ORLEANS, U. S. A.

*Statement of Condition at the Close of Business  
December 31, 1925*

## RESOURCES

|  |           |                        |
|--|-----------|------------------------|
| Loans and Discounts  | - - - - - | \$40,214,220.71        |
| U. S. Government Bonds and Treasury Certificates           | -         | 3,425,140.92           |
| Other Bonds and Stocks                                     | - - - - - | 5,924,654.94           |
| Investment in Hibernia Bank Building and Other Real Estate |           | 4,044,048.14           |
| Customers' Liability on Acceptances                        | - - - - - | 2,580,862.12           |
| Cash on Hand and With Banks                                | - - - - - | 14,691,762.41          |
|  |           | <u>\$70,880,689.24</u> |

## LIABILITIES

|  |           |                               |
|--|-----------|-------------------------------|
| Capital  | - - - - - | \$2,000,000.00                |
| Surplus  | - - - - - | 2,500,000.00                  |
| Undivided Profits                              | - - - - - | 205,828.03                    |
| Discount Collected But Not Earned              | - - - - - | 82,419.74                     |
| Reserved for Interest, Taxes and Contingencies | - -       | 137,445.51                    |
| Quarterly Dividend Payable January 2, 1926     | - - -     | 90,000.00                     |
| Liability on Acceptances                       | - - - - - | 3,695,337.03                  |
| <b>DEPOSITS</b>                                | - - - - - | <u><b>\$62,169,658.93</b></u> |
|  |           | \$70,880,689.24               |

Liability on Letters of Credit, Issued But Not Drawn Against \$741,907.28

=====  
R. S. HECHT, PRESIDENT

A. P. Howard, Vice-President    Fred W. Ellsworth, Vice-President  
 Paul Villere, Vice-President    R. N. Sims, Vice-President  
 Jas. H. Kepper, Vice-President    E. Molitor, Vice-President  
 W. B. Machado, Vice-President and Cashier

the law so as to give national banks greater freedom with respect to branch banking. The matter has been discussed in the last four reports of the Comptroller of the Currency, and as far back as 1915 the Annual Report of the Federal Reserve Board recommended that national banks be allowed branches within the city or county where located. Although Congress has been continually urged to act by both these agencies, as well as by bankers and business men, it has been dilatory, and no remedial legislation has actually been passed. In the absence of Congressional action, both the Comptroller and the Federal Reserve Board have been forced to meet the situation as best they could and formulate their own policies and regulations, which applied, in the case of the Comptroller, to national banks, and in the case of the Federal Reserve Board, to the state bank members of the Federal Reserve System.

As has been seen, Comptroller Crissinger in 1921 interpreted the law as permitting the establishment of "additional offices" within city limits, and as a result a number of such offices were created. However, Mr. Crissinger and his successor, Mr. Dawes, expressed themselves as being opposed to "absentee" or state-wide branch banking, and also refused to approve the establishment of branches in cities located in states which prohibited branch banking.

The Federal Reserve Board is authorized to pass upon applications of state banks to become members of the Federal Reserve System under Section 9 of the Federal Reserve Act, which provides that a state bank may make application to the board "under such rules and regulations as it may prescribe." On November 7, 1923, the board laid down certain regulations, later revised, stating among other things that as a general principle, it would restrict the establishment of branches to the parent city or contiguous territory unless "public necessity and advantage render a departure from the principle necessary

or desirable." This policy, of course, applies only to state members, which constitute less than 10 per cent. of all state banks, and to those state banks which may enter the system in the future. Its practical effect is therefore limited.

Now comes the McFadden Bill (formerly H.R.8887, now H.R.2). This was introduced in February, 1924, and created a vast amount of discussion. It finally passed the House on January 14, 1925, but failed to come to a vote in the Senate, being lost in the usual legislative jam at the end of the short session.

The bill contains several features designed to improve the National Bank Act, which were pretty generally supported and aroused no great amount of controversy. The real points of issue proved to be Sections 7, 8, and 9, relating to branch banking, particularly Section 9. In brief, the provisions of these three sections are as follows:

Section 7. No state bank which hereafter converts into a national bank shall retain any branches outside the parent bank's city.

Section 8. National banks may, upon application to the Comptroller, establish branches within the home city in states which permit branch banking. In cities of between 25,000 and 50,000 population, only one such branch may be maintained; and only two in cities of between 50,000 and 100,000. The term "branch" includes branches making loans as well as those which simply receive deposits and pay out money.

Section 9. This amends the Federal Reserve Act so that a state bank, before becoming a member of the Federal Reserve System, must relinquish all branches outside of the parent city. As in Section 8, state member banks are prohibited from establishing state-wide branches in the future, and are subject to the same population restrictions as national banks. State banks already members at the time of the passage of the bill are not required to relinquish their out-of-town branches.

It will be observed that the policy

followed by recent Comptrollers, the Federal Reserve Board's policy, and the provisions of the McFadden Bill, all tend in the same direction; i. e., they all try to equalize national and state banks in the matter of intra-city branch banking, but tend to discourage state-wide branches. Not one of them, however, can actually prohibit state-wide branch banking on the part of state banks. This can be done by the state legislatures only. The effect of Sections 7, 8, and 9 of the McFadden Bill, then, would be to give national banks practically equal rights with state banks as regards intra-city branches; to prevent state banks coming into the Federal Reserve System in the future from having branches outside the home city; and to keep state banks now members from establishing additional outside branches. The matter of state-wide branches would not be finally settled, since national banks would still be prohibited from having such branches, while in certain states they could be maintained or added to by non-member state banks, and existing branches could be retained by state members.

#### *What is the Remedy?*

The inequalities in the present status of branch banking have been covered; the steps already taken to lessen these inequalities have been followed; and the bill which proposes to give national banks partial relief has been analyzed. Getting away from the controversial aspects of the problem for the moment, and looking at it from a detached viewpoint, the whole subject simmers down to the following proposition: *National banks should be given equal rights with state banks not only as to intra-city branches, but as to state-wide branches as well.* In other words, the McFadden Bill should be amended to allow national banks to establish state-wide branches in states where this is, or may be, permitted by state law.

In taking the above position, the writer assumes a neutral attitude on branch banking *per se*, not being con-

cerned with that phase of the question. This argument is based mainly upon the grounds of simple justice. After all, if national banks are going to be given equality with regard to one kind of branch banking, it seems only reasonable to give them equality with regard to the other kind of branch banking. If Congress is going to act at all, why not go the whole distance, rather than pass a half-measure? It may be argued that the problems involved in city-wide branch banking demand immediate solution, while state-wide branches are now confined to a few states and the development of any real state-wide branch problem is so remote as to make present action unnecessary. The writer holds that the matter of state-wide branch banking is not so innocuous as to be thus lightly treated; but even admitting, for the sake of argument, that it is, does this in any way alter the fact that national banks are entitled to equality for reasons of ordinary fairness and justice? Furthermore, why not settle the question on an equitable basis now, while state-wide branch banking is still a relatively small matter, rather than wait until some future time when the situation may have become a good deal worse? There is a somewhat worn adage to the effect that an ounce of prevention is worth a pound of cure; and it seems peculiarly applicable to this question. It is not maintained that state-wide branch banking will necessarily show a rapid development in the near future. One can only say that it is not unlikely to do so, judging from the past few years, during which the number of such branches has nearly doubled; and that in any event, common sense requires a recognition of and preparation for the possibility of such a future development.

The solution which has just been considered is not a new one. It has been suggested from time to time, but has not been pushed very vigorously, perhaps because of the feeling that it might stir up so much opposition that no corrective legislation, even with ref-

erence to city-wide branches, could be passed. Admittedly, many objections could be found; but an analysis of these will show that they do not rest on firm ground. The more weighty objections will here be discussed, although lack of space prevents the consideration of all possible arguments.

#### *Popular Objections to State-wide Branches*

The most important point that would probably be raised against providing for state-wide branch banking under the National Bank Act is that this would mean a tacit approval of the theory of branch banking by the United States Government, thus encouraging a development along that line that would not otherwise occur. There seems to be a fear among many bankers that the branch banking system may become thoroughly established in the country; and the above argument is often coupled with the statement that the bankers of the United States are very generally opposed to state-wide branch banking. It might be asked how branch banking could develop to menacing proportions if the bankers of the country are opposed to it, inasmuch as it takes bankers to establish branch banks; but aside from this, would the increase in the number of state-wide branches under the proposed remedy be very much greater than under the present law? In the first place, this remedy would apply only to national banks in the eleven states now permitting state-wide branches, plus any additional states that might permit them in the future. Furthermore, if national banks in the eleven states concerned really wish to establish state-wide branches, they may do so now by converting into state banks. That is what some of them have done, and that is why they should be allowed to establish state-wide branches in the eleven states, if they so desire, without having to convert, with the consequent weakening of the National Bank System. If the national banks do not desire to establish such branches, they

would be no more likely to do so under the proposed law than at present.

Another argument is that under Section 9 of the McFadden Bill, the extension of state-wide branches would be prohibited within the Federal Reserve System, and thus the state-wide branch problem would be kept pretty much in status quo. As previously brought out, the bill provides that state banks applying for membership in the Federal Reserve System shall be required to give up any branches outside of the parent city, and state banks now members shall not be allowed to establish any additional state-wide branches, although permitted to retain existing branches. There are several loop-holes in this proposition. In the first place, the very fact that state members would be allowed to keep existing state-wide branches would mean the perpetuation of the present inequality in those states where such branches are already scattered over a wide territory. The retaining of the "status quo" would mean the retaining of an unfair situation. In the second place, Section 9 in reality would not necessarily keep things about as they are. State members may withdraw from the reserve system on six months' notice, and although the argument is frequently made that these banks would be unwilling to withdraw, owing to the loss of prestige, rediscount privileges, and so forth, there is no assurance that they would not leave the system if it came to the point where they had to choose between membership and the extension of branch banking. As a matter of fact, at least one of the large state member banks having branches has stated that it has never made use of the rediscount privilege, and does not expect to do so. In the third place, the provision that applying state banks must relinquish state-wide branches would tend effectually to keep such banks from applying for membership. A state bank wedded to the state-wide branch idea would undoubtedly think twice before giving up its branches in order to enter the sys-

tem. This provision, therefore, might reduce the number of large state banks applying to enter the reserve system; and it must be admitted that such a contingency is not to be desired, inasmuch as the advantages of membership have so far failed to induce any considerable number to become members.

#### *Absolute Equality Impossible*

It may also be said that other things are unequal as between national and state banks, and that it is impossible to put them on an absolute basis of equality. This is true. The McFadden Bill is aimed to correct these differences to some extent—for example, with regard to loans on real estate. But the branch banking question, with all of its future possibilities, so far overshadows all others that it is in a class by itself, and some action toward equalizing this particular situation is necessary.

The matter of uniformity might be brought up. Under the proposed remedy, national banks in certain states would be given privileges not accorded to those in other states. But this seems necessary, and in fact the McFadden Bill as now constituted, by permitting national banks in twenty states to establish city-wide branches, creates such a situation. Here again one gets back to the basic fact that in certain states, if a national bank wants to establish branches, it can do so by converting. Is there any practical difference between a national bank being denied the privilege accorded to another national bank in some other state, or being denied the privilege accorded to the same bank after it has converted into a state bank?

It might be argued by state banks that national banks could build up large branch systems in states where this is legal, but where state banks have not availed themselves of their

right. There would, of course, be nothing to keep state banks from creating branches in these states to meet such possible competition. Further, the difficulty might be avoided by making the law effective say a year after passage, so as to give state legislatures time to abolish the branch banking privilege if they so desired.

An objection which has already been mentioned is that the state-wide branch bank problem is not now in pressing need of solution, and if left alone, would probably work itself out gradually. This argument takes no account of the situation in certain states where it has already become serious. Apart from this, however, it may be granted that banking sentiment is now opposed to branch banking; but at the same time, we must recognize the possibility of a change in sentiment. One cannot know what future years will bring forth in this regard. Twenty years ago, Roosevelt was "busting the trusts" with the enthusiastic approval of the populace; now, the trend is toward consolidation and combination. The proposed railway mergers are an example. If public opinion is opposed to branch banking, it will doubtless not become country-wide; if there should be a change of feeling, it might become so.

#### *Conclusion*

In closing, let it be repeated that those provisions of the McFadden Bill not related to branch banking should be retained, and the branch banking sections should be revised so as to permit national banks to establish state-wide branches in states which now or hereafter authorize such branches, either by law or by administrative practice, as long as the state law remains on the statute books.





Pendants of the National Standard Invoice Form

# National Association of Purchasing Agents

Woolworth Building, New York

Customer  
Ord. No. & Date  
Requisition No.  
Contract No.  
Shipped To  
Destination

Invoice Date  
Invoice No.  
Shipper's Order No.

optional reserved for use of customers.  
P. A. Invoice No.  
Voucher No.

Terms:

Large empty oval space for terms.

CHECKED  
With order  
F. O. B. point  
Price  
Calculations  
Transportation  
Trans Chgd. Back

Date Shipped  
Car No. and lot  
How Shipped and Route

From

F. O. B.

| DESCRIPTION | QUANTITY<br>(show units) | PRICE<br>PER UNIT | AMOUNT |
|-------------|--------------------------|-------------------|--------|
|             |                          |                   |        |

Above Materials received \_\_\_\_\_ 192\_\_\_\_ and found \_\_\_\_\_ satisfactory (Signed) \_\_\_\_\_ (Title) \_\_\_\_\_  
Charge Account \_\_\_\_\_ Approved \_\_\_\_\_ Approved \_\_\_\_\_  
N. A. P. A. S.

The uniform invoice developed by the National Association of Purchasing Agents in co-operation with a large number of manufacturers and associations, and representing the first notable move toward standardization of this important form. In their general aspects the "Ford Uniform Invoice" and the above have much in common—both recognize identical needs for two zones and clarity of typography. General recognition of the need for uniformity in the invoices should automatically bring about a popular choice and, as Mr. Kulas points out, the adoption of any uniform invoice by all industry would eliminate one of the most trying and expensive of business barnacles.

## Creeping Extravagances in Business\*

### A Practical Man's Viewpoint of a Little Leak Which Bulks Large

By E. J. Kulas

President The Otis Steel Co., Cleveland

**A**MONG the tendencies created by the close competition peculiar to the moment is the tendency toward large production units as opposed to a multiplicity of smaller units. This is particularly apparent in the automobile industry where the process of elimination, purchase and amalgamation is working toward the centralization of automobile production.

In the majority of instances, the practical economies obtainable through a combination are more or less patent, but the writer's several years of experience—not only in amalgamations but in in-

dividual plants—has created a certain philosophy regarding the source of some of the profit leakage in business.

Almost without exception, as a business increases in age and size, it accumulates a corresponding number of "barnacles" of extravagance, the majority of which grow up around its executives without their consent and in most cases without their knowledge.

Only recently I was informed of a re-organization after which the pay roll

\*Reprinted from TRADE WINDS, monthly magazine of the Union Trust Company of Cleveland, Ohio.



was reduced 20 per cent., yet the production per man increased by measurably more than that amount so that the net saving in labor charge was better than 40 per cent. Yet this is but one example of the barnacles which gradually creep up around a business which enjoys any particular size or history.

In the majority of cases, however, the efficiency of the manufacturing organization is under the direct personal supervision of one of the higher executives and hence is likely to be of a high caliber. But in the office routine an astounding multiplicity of wastes are likely to grow up—descendents of times of prosperity which become apparent necessities and ultimately accepted practices even in times of comparative adversity.

#### *Office Routine and the Average Executive*

The average executive is likely to be almost totally ignorant of office routine. Assistants, bureaus, departments, secretaries, and a variety of useless furbelows creep up around him and become established and authenticated by precedent until to dislodge them becomes something of a task.

I feel certain that if the nation were to nominate a given week as "Office Efficiency Week" and if the executives of the nation were to devote this week to a cold-blooded investigation of "office barnacles," the overhead account would be reduced by 10 per cent. or better.

Only a few weeks ago, while in Detroit, one of these subtle yet debilitating office wastes—and its remedy—was brought graphically to my attention by F. H. Diehl, purchasing agent of the Ford Motor Company, and I present it here as a practical suggestion which will materially assist in ridding every office of the type of economic barnacle referred to above.

It is but natural that Mr. Diehl, intimately familiar as he is with office systems and routines in addition to the larger phases of policy and purchasing,

should develop what I personally believe to be an outstanding economy of its type.

Every reader knows what an "invoice" is. Yet if I were to ask you what your invoices cost you per year, you would probably turn to your purchasing agent and ask for the *printer's bill*. As a matter of fact, your invoices cost you many, many times the cost of the paper and printer's ink in the labor charge involved in the production and handling of your outgoing and incoming invoices.

Office practice varies somewhat, but should you ship today six items to one destination, each item applying on a different purchase order it is highly probable that you would make out six invoices, each containing some such data as the following:

Date.  
 Invoice number.  
 Order number.  
 Name of purchaser.  
 Address of purchaser.  
 Shipped to.  
 Shipped from.  
 F. O. B.  
 Terms.  
 Shipped via.  
 Shipper's order.  
 Quantity.  
 Package number.  
 Description.  
 Unit price.  
 Amount.

Thus, if you ship me six orders today, the probabilities are that six invoices would pass through the hands of a varied number of people in your plant with a duplication of the vast majority of the labor cost required by each invoice.

And then what happens to these six invoices when they come into the purchaser's plant? Probably he places on them a large rubber stamp half obliterating most of the material on the invoice, and this stamp bears some such terminology as the following, for the approval of the various departments concerned:

**UNIFORM INVOICE**  
**YOUR NAME AND ADDRESS**  
A BRIEF ADVERTISEMENT OF THE MATERIALS MANUFACTURED  
**GOES HERE**

INVOICE NO \_\_\_\_\_  
DATE \_\_\_\_\_

**FOR CUSTOMER'S USE**

TERMS \_\_\_\_\_

F. O. B. \_\_\_\_\_

ACCOUNT \_\_\_\_\_

APPROVAL \_\_\_\_\_

TRANSPORTATION \_\_\_\_\_

RECEIVAL \_\_\_\_\_

CALCULATIONS \_\_\_\_\_

ADJUSTMENT \_\_\_\_\_

AUDITED \_\_\_\_\_

**SOLD TO** \_\_\_\_\_

**SHIPPED TO** \_\_\_\_\_

**SHIPPED FROM** \_\_\_\_\_

F. O. B. \_\_\_\_\_

TERMS \_\_\_\_\_

SHIPPED VIA \_\_\_\_\_

CAR

| CUSTOMER'S ORDER  | SHIPPER'S ORDER | QUANTITY SHIPPED | PACKAGE NUMBER | DESCRIPTION  | UNIT PRICE   | AMOUNT |
|---|-----------------|------------------|----------------|--|--|--------|
| <ol style="list-style-type: none"> <li>1. Centralization of shipping data.</li> <li>2. Continuous writing spaces.</li> <li>3. Natural carriage shifts making for speed in typing.</li> <li>4. Filled column for Customer's Order Number permitting consolidated billing—that is, all shipments for one day, regardless of order number, should appear on one invoice. This will reduce papers to be handled by twenty-five per cent at least for Shipper and Customer.</li> </ol> |                 |                  |                | <p>↓</p> <p><i>Captions within this block subject to change to fit particular business involved.</i></p> <p style="text-align: center;"><b>Size</b></p> <p><i>While a uniform invoice should be letter size (8½" x 11"), the length may be varied to 7" minimum or 16" maximum, depending upon the number of items usually billed.</i></p> <p><i>If desirable, the entire form may be printed the long way of the sheet.</i></p> <p><i>It can be used on any type of billing or writing machine.</i></p> |  |        |
|   |                 |                  |                |  | <ol style="list-style-type: none"> <li>1. Reservation centralizes Customer's approvals.</li> <li>2. Eliminates Customer's use of rubber stamps and sticker riders with possible loss of riders.</li> <li>3. Prevents defacing invoices and obliterating important data.</li> </ol> |        |

The development of a form of this type is the result of several years' study, but the results accruing from its use are ample repayment. The "Ford Uniform Invoice," designed by F. H. Diehl of the Ford Motor Company reduces the labor expenses both on incoming and outgoing invoices by at least 25 per cent., if not more. The spacing has been worked out with manufacturers of billing machines and typewriters. One large manufacturer said, "The idea is a splendid one. Its adoption will mean a tremendous saving of time and dollars. We are going to request our suppliers to adopt this uniform invoice." This comment is typical of many such. The economies latent in this form have been the reason for its adoption by a large number of manufacturers.

- Terms.**  
 Account number.  
 O. K. to pay.  
 Transportation O. K.  
 Receipt acknowledged.  
 Calculations checked.  
 Adjustments.  
 Final audit.

These six semi-mutilated invoices then start traveling through the plant in conjunction with a large number of other invoices of varied size with the date, order number and other material spattered over each in a different place

until checking the invoice becomes a job for a "blind reader" at the Dead Letter Office.

In the production of these six invoices at least 30 per cent. of the work is duplicated and hence wasted. In the receipt and approval the confusion in size, form, terminology and typographical appearance adds a needless labor charge of at least another 25 per cent.

Yet this system of complications, duplications and multiplications continues unchecked. In terms of dollars and cents in your plant, you will find

that the needless intricacy and lack of uniformity of the invoice item alone runs into figures which are likely to prove astounding. It is one of the barnacles of business requiring united action and the same type of unification and standardization which is savings millions of dollars in other phases of manufacturing.

#### *Saving Duplication of Effort*

F. H. Diehl of the Ford Motor Company has devised a uniform invoice which means a saving of a substantial percentage of the effort formerly employed in advising customers of their purchases. Explanatory replica of this invoice is given in the accompanying illustration. Instead of addressing the customer six times for his six purchases and introducing the form each time into the machine, and multiplying every operation by six thereafter, this form reduces it to one operation and permits the listing of all items purchased on a given day with the customer's order number and without duplication of such items as the date, the customer's name, shipping directions, terms, etc.

The centralization of this information and its placement on the invoice favors all billing equipment and simplifies the operation of writing to the irreducible minimum. There is a four-item saving in the writing alone; four more are saved in the papers handled for the posting against stock ledgers. Four items are saved in posting to the general ledger and sales record.

But the selfish arguments for a uniform invoice do not alone stop with the saving in the *creation* of *your* invoice. Were all your incoming invoices uniform—as suggested by Mr. Diehl's uniform invoice—your saving would be even equal or greater in the department of receipts, purchasing and bookkeeping.

For example, in Mr. Diehl's uniform invoice you are passing on to your customer a condensed form which means the same kind of saving in his organization as in yours. You reserve a

definite space for your customer's use—a space clear of any other information, a space for any data he may wish to affix in his method of checking or approving. In short, through the operation of Mr. Diehl's invoice your customer begins to save on your order at the moment your invoice is received in his (or your own) mailing department. It's a *sales service* and effects economies for both buyer and seller.

Instead of handling six or more papers for six orders or more, only one paper is handled. The distribution of this paper to the purchasing department, to the respective ledger clerks, department heads and otherwise, represents a similar saving and so on into the disbursing units and the posting to ledgers.

Throughout, instead of a multiplicity of ill-assorted sheets of varied sizes and shapes, whose data are half obliterated by the necessity of placing various approval stamps thereon, there is but a single sheet, or at most a great reduction in the number of invoices, each one of which is uniform in every detail so that checking, posting and listing becomes not a tedious labor but the rapid operation which characterizes use of an old and familiar form whose every detail is constant and unchanging.

Of course, the form as shown would necessitate certain changes for the individual business insofar as the column headings are concerned, although the top half would seem to be requisite for every business.

#### *Advantages of the Uniform Invoice*

Mr. Diehl's form has the following substantial advantages. It permits maximum speed and accuracy, since it centralizes all shipping data and gives a continuous writing space with natural carriage shifts for the typist. Furthermore, it gives a fixed column for the customer's order number, permitting a consolidated billing. In other words, it permits you to list all shipments for any single day, regardless of their order number, on a single invoice, thus re-

ducing papers to be handled by both shipper and customer by at least 25 per cent.

In addition it reserves and centralizes the space for accepted headings for the customer's approval notations, thus eliminating the use of the customer's rubber stamp and sticker riders, with possible loss of riders, obliteration of invoice and confusion which unavoidably appears in the present day hit-or-miss method of invoicing, owing to the obliteration or defacement of important data.

In addition to the features mentioned, you will note that space is reserved for the address in such a manner as to permit the use of a window envelope, thus saving the necessity of addressing an envelope in addition to the other very major saving accruing through the use of such a standard form.

Mr. Diehl's invoice gives ample room for the comparatively small latitude in terminology required by manufacturing industries through change in column headings as shown on the sample illustrated herewith.

The Association of Purchasing Agents has likewise developed a suggested uniform invoice form, which is not without substantial advantages, although the writer frankly prefers Mr. Diehl's suggestion feeling, however, that the universal adoption of even an

approximately correct universal invoice would eliminate one of the most trying and expensive business barnacles which has grown up out of nowhere, yet levies a tribute running well over six figures each year upon the American consumer, through needless duplication of work in the creation of the invoice and in its checking, with the resulting confusion, misunderstanding and disputes which inevitably arise therefrom.

Needless to say, neither the Ford Motor Company nor Mr. Diehl receive or expect to receive any royalty on the acceptance of their suggestion. Mr. Diehl contributes it to the manufacturing public much as a physician would contribute a cure for consumption, and I am not so sure but what Mr. Diehl has placed his finger upon one of the consumptive parts of American business in putting forth this substantial remedy for dry rot of wasted effort and expense which is now involved in the creation and checking of the invoices of the American business house.

I would court an expression of opinion from my fellow executives in the manufacturing field regarding Mr. Diehl's invoice and its application to their industries, since I am glad to enlist myself in the endeavor to eradicate this very substantial source of waste and irritation.



**T**HERE are always two sides to great questions. Frequently it is the laboring man who is abused; frequently the corporation; frequently it is the public. Laws governing corporations are sometimes too liberal and sometimes too harsh. What the public needs is knowledge of the facts.—*Elbert H. Gary.*

# The Power of Small Things

By Richard W. Saunders

**T**HE Queen's palace at Amsterdam was years ago the burgomaster's building where commerce and the law courts held sway. The doorway to each room was decorated with symbols indicating what particular function was performed therein.

Over the entrance to one, in sculptured form, were portrayed ledgers and books of account, chests and other similar emblems of business. Running around and through these and busily engaged gnawing here and there was a host of rats. The room was that of the bankruptcy court.

On the power of small things to break down the strongest structure, there is little need to enlarge. It applies not only to business but to all the affairs of life. The little traits of weakness that develop and break the strongest character; the first drinks that end in drunkenness; the first peculations that end in great defalcations; the first bitter words that end in divorce and the breaking up of the home, all seem little and trifling enough at the time but oft repeated, develop into a habit that can have but a sad ending. The repetition of little things grows into a tyranny over us. Even as our bodies are made up of innumerable atoms, so are our actions made up of little habits and our minds of little thoughts.

Some time ago the papers had an article about grasshoppers stopping a railroad train. They covered the rails so deep and so far that the wheels, becoming slippery, were unable to grasp the rails and the train could not proceed.

Fortunately, if the power of small things has a bad side, it also has a good one and in fact, builds men as often as the reverse, or let us hope more often. By directing one's thoughts and deeds

into right channels, as the water of streams is joined together to turn the mill wheels, so can one's power for good be steadily increased.

It is upon the presentation of the little things that govern us, that the world's estimate of our character is based. Some time ago there was a large defalcation in a certain bank. The three possible suspects were men beyond reproach. Finally, just as he was about to despair, the auditor found where one of the three, months before, had stolen a trifling sum. "Straws show how the wind blows" says an old maxim.

Another adage, quoted by Franklin is, "Save the pennies and the dollars will take care of themselves." The family budget books which are coming more and more into general use, show that people are beginning to appreciate this axiom and put it to practical use. There is a sad but certain value in reviewing our expenditures of the past. But how much more value lies in our forecasting, even in great detail, what we shall allow our expenditures of the future to be. Many who do this fail of their expected result because they do not go into sufficient detail. The word "miscellaneous" is an old and pernicious offender and should almost be barred from the language of accounts as a criminal.

In an old bank building, where the floors and joints had numerous crevices, whenever a teller dropped a coin it was customary to say, "Down the rat-hole." A wise planning, a stoppage of the crevices, and a careful consideration of the tendency of little thoughts and actions will almost certainly ensure a life well spent and full of happiness. They bring prosperity and a reputation for probity and good judgment that may well make their possessor a proud and honored man.

# Mid-Continent A. B. A. Trust Conference Marks Step Forward in Trust Co-operation

National and State Bank and Trust Company Divisions of  
A. B. A. Participate in Interesting Discussions

ONE of the distinguishing features of the American Bankers Association Mid-Continent Trust Conference, held in St. Louis, Mo., December 11 and 12, was that the meeting was participated in by the National Bank Division and the State Bank Division as well as the Trust Company Division. "From the standpoint of the association," said Oscar Wells, president of the A. B. A., "this means writing a new chapter of co-operation among the divisions."

Two papers were presented before the conference on the subject of "Executors and Administrators;" one by William C. Barber, trust officer First National Bank, Joliet, Illinois; and the other by Frederick Vierling, vice-president Mississippi Valley Trust Company, St. Louis, Mo. Mr. Barber traced in great detail the appointment, functions, duties, and responsibilities of executors and administrators, as governed by the laws of Illinois, concluding that, "if acting as executor or administrator, we continually bear in mind that we are only officers and servants of the court that makes our appointment, and with that thought in mind are careful to follow the orders of the court and the directions laid down in the statutes of our respective states, we can find satisfactory and compensatory service in acting as executors and administrators."

Mr. Vierling's address consisted chiefly of a series of experiences. He related how his company had been named executor under a will and authorized to sell real estate. Of four pieces, two were sold, but the widow refused to join in the sale of the other two pieces. After the death of the widow, the family brought suit against the company for not selling the real estate, charging negligence. The com-

pany was sustained in the Probate Court and in the Circuit Court, but was adjudged guilty of negligence by the Supreme Court, upon appeal. Such a situation, he pointed out, could have been avoided, had the company been appointed trustee with power to sell, instead of executor.

Illustrating the necessity for fiduciaries' modifying the deeds they use in conveying property, he told how his company had adopted in its deeds the phrase "grant and sell" instead of the customary "grant, bargain and sell," which latter phrase, according to a Missouri statute, implies certain warranties. After selling a homestead property, giving title with this sort of a deed, the company was later called upon by the husband of the woman who bought it to make good for a flaw in the title. In this case the company was able to show how the words referred to above conveyed to the buyer all the title to the property which the company had, but implied no warranty.

He also urged executors to watch out for such unusual situations as where taxes have become a lien while the testator was still living, but have been overlooked; where property is devised subject to a mortgage, but where the mortgagee presents his note to be paid out of the estate; and where a devisee has received real property, collected the income and used it, and it subsequently occurs that some of the real estate or income therefrom must be used to satisfy debts against the estate. For all these, he pointed out methods by which the difficulties could be avoided.

## *Suggestions to Facilitate Management of Estates*

John C. Mechem, vice-president First Trust and Savings Bank, Chicago, in

his address, "Practical Suggestions to Facilitate Management of Estates in Production of Income," described the major difficulties in the management of estates as:

1. The maintenance of an immediately available market record of every security in every trust, with a history of the issuing concern. This can be done by listing on a card the details of the security, and then entering the market price of the security at periodic intervals, so that any fluctuation in the general price trend will be discovered. Information about the company—balance sheets, etc.—can be kept in a folder.

2. The expeditious investment of trust funds under the direction of the senior officers. This can be done by an investment committee meeting bi-monthly, at which time it is furnished by the statistical department with an analysis of the securities already in the trust; an extract from the power of investment, showing whether the investment is statutory, discretionary, or specific; the distribution of the income to beneficiaries, and the beneficiaries' other income; the beneficiaries' income tax rate if invested in taxable securities; income necessary from a taxable security to make it preferable to a tax exempt; former purchases for the trust; preliminary recommendations; and a list of available securities. This results eventually in building up a list of securities which have been investigated and found suitable, and makes the work easier as it grows.

3. The watching of these securities. This is the place, in Mr. Mechem's opinion, where trust companies are most vulnerable. Periodic review of the securities by the investment committee, after it has disposed of funds available for investment, will remedy the neglect which so often prevails.

4. The retention of securities already in the estate, but not strictly trust investments. Mr. Mechem favored the retention of the sound preferred stocks and investment common stocks, to sweeten the yield. The "cats and

dogs," however, should be disposed of in the most feasible manner.

5. The disposition of securities of a concern either approaching or having arrived at receivership. The first duty of the trustee is to make a thorough investigation of the situation of the industry and the condition of the particular company. The question then is one of business judgment—whether to participate or not in a re-organization plan, or whether to operate the company or liquidate it. The trustee should, however, insofar as possible, avoid positive action.

6. The disposition of securities in a closely held corporation where there is no public market for the securities. In some cases the trustee can arouse enough interest in the company to make a market in the securities by sacrificing an initial block, and making the company and its earnings known. In other cases, refinancing plans may be worked out. An example was cited of where the trustee inherited less than a majority interest in a concern with about a dozen stockholders. The holder of the largest interest was financially unable to take it over, so the trust company financed him in acquiring all the other outstanding stock. When he and the trust company owned all the stock, the company's building was sold, he took back a long time lease, and with the proceeds of the sale retired the stock held by the trust company.

7. The management of a concern in which the testator owned a controlling interest, and was active in the management. After ascertaining the facts about the business, four courses are open: to sell it as a going concern, consolidate it with another concern of similar nature, liquidate it, or continue its operation. The first is the most desirable, but least often practicable. Consolidation also is rarely possible. If there is any question as between liquidation and operation, it is well to liquidate, if it can be done without too great loss, for the way of operation is long and hard. If it is decided to operate, the company should

announce that fact vigorously to the community in general, put a man in charge in whom it has absolute confidence, and let him run it, with all the assistance the bank can give.

#### *Difficulties of Trusteeship Under Corporate Mortgages*

C. Alison Scully, second vice-president National Bank of Commerce in New York, in describing the difficulties of a "Trustee Under Corporate Mortgages" said:

"There is nothing sensational or heroic in the duties of trusteeship under a corporate mortgage. There are no 'human interest' experiences to be featured in the sensational headlines of the newspapers. The general public regards the trustee of a corporation mortgage without sympathetic concern, and is as indifferent to the full performance of duty as it is to the work of a steam dredge or the schedule of commuters' trains. Smooth and easy operation is expected. Anything short of perfection is the object of complaint and criticism."

He laid considerable emphasis on the preliminary negotiations, stating that while a trust company is not required to investigate too fully the enterprises for which it acts as trustee, nevertheless, in case of default, the trustee is more or less discredited. Once the business has been shown to be desirable, it is important that the negotiations prior to the execution of the mortgage be comprehensive and thorough, so that the interests of the trustee may not later be placed in jeopardy. Both corporation and trustee should have their own counsel. The work of the lawyers should be supplemented by the experience of the trust officer. Great care should be taken to see that the trustee does not stand sponsor for the intrinsic value of the security behind the bonds. Counsel should make certain that the bonds are in negotiable form. When the mortgage is completed, the counterparts should be examined to see that all the originals conform and that the

proper revenue stamps are affixed. Finally, the mortgage must be recorded.

#### *Trusteeship of Estates*

In discussing "Trusteeship of Estates" Frank N. Bancroft, trust officer of the Colorado National Bank, Denver, Colorado, called attention to the fact that while executors and administrators are essentially liquidators of estates, trustees are conservators of them, making it possible for men and women to extend the period of their usefulness beyond their allotted three score and ten years. This may be done by means of the living or voluntary trust, the testamentary trust, the court trust, and the life insurance trust, all of which he described, going into some detail as to the liabilities of trustees under these various forms, and concluding that "it is of the utmost importance that the corporate trustee keep in close touch with the lawyer and the law making bodies of our country in order to ward off the dangers that come from hasty and ill-advised decisions of courts construing existing laws, and from unconsidered property rights."

#### *Getting New Business*

"New Business—How to Get It" was the subject of an address by Allan B. Cook, assistant vice-president of the Guardian Trust Company, Cleveland, Ohio. The merchandising campaign of the trust department, he said, must begin with a careful and complete survey of the market.

"The next question with which the trust officer is faced is how and where can he find the names of people of means. The answer is that the usual sources should be consulted. The city directory or the records of the local Chamber of Commerce will show in most cities and towns not only the names of the large corporations, but also the names of the chief executives of such companies. Similar lists can be obtained from professional sources with respect to doctors, dentists, ministers, and various types of engineers.



The local blue book, or social register contains the names of persons who are socially prominent in any community, most of whom have money. It is a simple matter to segregate the widows and bachelor women, if this particular group is required for purposes of the campaign. Furthermore, there is in every town and city a group of retired business men who are so prosperous that work for them is no longer a necessity. Club lists and a list such as McCutcheon prepares for certain territories should be scanned whenever they are available."

With this list, wills are the easiest things to sell. Next to wills, insurance trusts are likely to interest the greatest number of people. Much harder to sell are the living trust and the special purpose trust. Hardest of all is the corporate trust, for the field is so limited.

"The best method of attracting public interest to the service of the trust department," said Mr. Cook, "involves a complete advertising campaign, consisting of from four to six advertisements in local newspapers, referring to a booklet which is being distributed either generally or on request, such advertisements to be followed by letters amplifying the newspaper copy.

"While newspapers and other advertising mediums do part of the job of seeking new business, the chief function of such advertising is to prepare the ground for a solicitor to call in person, during the six months' period which such campaigns usually cover.

"The solicitor, when talking to the prospective customer, calls his attention to the unusual features of the trust department operations. In every case stress is laid upon the fact that the securities analysis division, composed of a group of experts, spends all of its time making recommendations with respect to the investment of trust funds. If the recommendations of the securities analysis division are approved, they are sent to the executive committee, which is the final court of authority. The final decision, when made, represents the unanimous opinion

of approximately twenty people, as opposed to the judgment of the individual trustee. Furthermore, trust department funds are never raided for the benefit of the bond department or the bank as a whole when investments are made. Trust investments are made entirely on their merit."

### *Community Trusts*

In discussing "The Trust Company and The Community Trust," Frank D. Loomis, secretary of the Chicago Community Trust, gave the threefold aspect of the community trust:

1. The community aspect of accumulating and conserving trust funds for charitable and educational purposes.

2. The individual aspect of giving the man or woman of small means an opportunity to contribute with all the safeguards of conservatism and flexibility to the common good.

3. The bank aspect of enlarging the principle of corporate trusteeship.

The last named is of particular interest to bankers. But the value of the community trust to banks is not direct, but in its collateral results—in that it brings people of means to the trust company, and may bring their personal trust business in time.

In discussing the question of a single trustee or multiple trustees, Mr. Loomis said, "The community trust offers its services to the community as a community-wide charitable enterprise. It calls itself a community trust operated not for profit. If, in the face of such a claim the community trust were to use its influence in favor of and for the profit of some one commercial institution against all others in the community, would it not be denying the very things which it most insistently professes? That, it seems to me, is the fundamental answer to the question whether the community trusts will eventually have multiple or single trustees. They must operate on an impartial basis, giving equal opportunity to all trust companies to participate in the business, or they will cease to operate at all."

# Investment Bankers Association Convention

Blue Sky Laws Much Discussed—Giant Power in Pennsylvania  
Opposed—Tax Reduction Demanded—Educational Program  
Described—Ray Morris Made New President

**A**T the fourteenth annual convention of the Investment Bankers Association of America held at St. Petersburg, Florida, December 7-11, 1925, many of the most valuable discussions presented were in the reports of the various committees of the association. Like the A. B. A., the I. B. A. held three general sessions, addressed, respectively by the retiring president, Thomas N. Dysart; by E. H. H. Simmons, president of the New York Stock Exchange on "The Stock Exchange and American Banking;" and by W. S. Gifford, president of the American Telephone and Telegraph Company on "Significant Facts in Our Economic Progress." Unlike the A. B. A., however, the I. B. A. convention has no divisional meetings. The material which would be covered in such meetings is presented in the committee reports.

It had been feared that the decision that the delegate from each investment house at the convention must be a member of the firm would reduce the attendance. However, it seemed to have the reverse effect in an attendance of almost 1000, making this one of the largest conventions the association has held.

## *Are Blue Sky Laws Fulfilling Their Purpose?*

The present status of blue sky laws came in for a good deal of discussion during the convention in various addresses and reports. The chief concern seemed to be to make the blue sky laws more protective to investors, and less annoying to investment bankers. Thomas N. Dysart, retiring president of the association, first brought up the matter in his address, with the following comments:



RAY MORRIS

Member of the firm of Brown Bros. & Co., New York, recently elected president of the Investment Bankers Association.

It is exceedingly difficult to give an adequate and correct representation of the blue sky law situation. The state blue sky commissioners are capable, conscientious, hard-working officials. They perform an invaluable service in protecting the public and in furthering opportunity for a broader and more practicable application of thrift through the public's investing in sound securities of honest enterprises offered by trustworthy bankers, and for this reason, deserve the commendation and support of the entire community. The only question that may be raised is whether the real purpose of the blue sky laws has not been lost sight of. It does not seem to be clear in the minds of either the makers or the administrators of some of the laws whether the purpose of the law is to protect the public from fraud and deception, or whether it is to try to do the impossible, to eliminate the inherent risks that naturally exist in every business enterprise, just as they unavoidably exist in every human activity.

In this respect certain tendencies are

especially noticeable. One is the requiring of a vast amount of detailed information on sound securities of absolute honesty, put out by companies of unquestioned strength and character, and offered by bankers of the highest integrity. Such requirements frequently cause much work and expense to the companies issuing the securities and to the bankers distributing them. Such expense, work, and delays are needless and wasteful. The purpose of the blue sky law is to stop the crook, not to hamper honest capable men in honest essential business. In all cases the bankers are faced with a great amount of detail work in making their applications to the commissions, and are obliged to assign a part of their force to this work alone. It is not, however, right for the blue sky laws and their administrations to take an additional heavy toll of the reputable investment bankers, or to put them on the defense to show that they and the honest businesses, whose honest securities they sell, are not themselves crooks.

Investment banking houses maintain expensive organizations to determine the trustworthiness of the securities they sell to the public. It is proper that the states should likewise maintain organizations to thwart and punish those who would deceive and rob their citizens. In this work the states have a large and difficult task, one that needs all the thought and energy the blue sky commissions can give to it. It is, therefore, a doubly useless waste when a blue sky administration spends time and effort in needless and costly investigation of honest securities at heavy expense to reputable companies and bankers.

### *Wendell Suggests Remedial Measures*

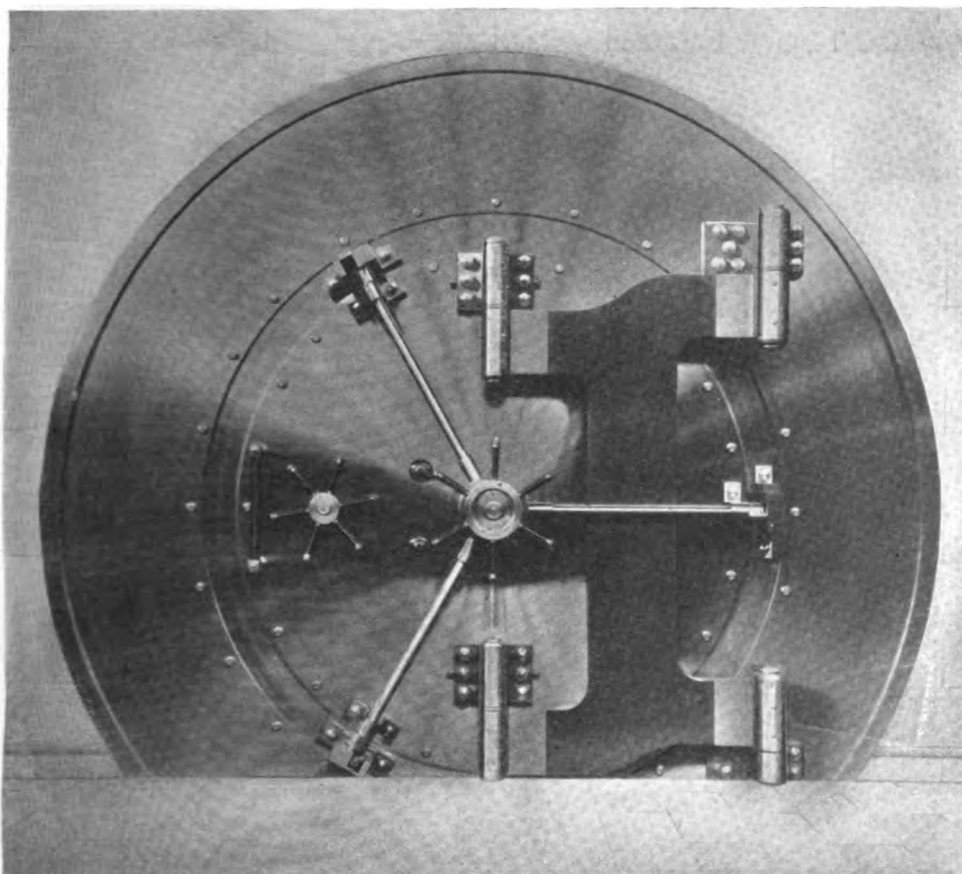
Barrett Wendell, Jr., chairman of the Securities Law Committee devoted the whole of his report to the blue sky law situation. This was the most careful and valuable discussion of the matter in the convention, though it came up in a number of the other reports.

The report began with the original blue sky law, which, it held, was intended to be a simple prohibitive statute drawn to bar the sale of worthless securities in a given state. To do this intelligently, the state has to be given the right to demand certain information concerning new enterprises floating securities. Alongside of this regulation of the security grew up the idea that the man selling the security must be regulated, and laws requiring

the registration or licensing of dealers in securities were passed. The regulation of both securities and dealers has to be carried out through a commission of men. It is here that the difficulty arises. Often the commission forgets the real purpose of the blue sky law (to prevent fraudulent security issues), and considers all security dealers are dishonest until proved otherwise. Again, the regulations of the commission are sometimes so onerous, or the amount of information required so great where there is no provision for preliminary approval that an issue of securities is shut out of some states for so long that it is all sold in other states. For example, an issue may be excluded from a state because it is called a debenture bond, and the commission holds that the term "bond" cannot be used in the title of an issue unless it is secured by a mortgage. Issues have been shut out because the commissioner refused to set up any machinery under which securities not qualified for sale in the state may be qualified.

This situation is due, said the report, partly to the blue sky laws themselves, many of them being so poorly drafted that the resulting ambiguous clauses are constantly causing trouble. The lack of uniformity of the laws is also a great burden. It is almost equally due to the administration of the laws. The men selected to enforce them have not had clearly in mind the proper functions of the investment banker. Too often their attitude toward the investment bankers is that of the prosecuting attorney. They do not understand the great pains the investment houses take to make sure that the securities they issue are sound and safe.

To remedy this situation, some have suggested a Federal blue sky statute. This might have been practicable twenty years ago, before the states had legislated on the matter, but it is very unlikely now that they would allow one commission at Washington to take over their work. Unless they did so, such a Federal law would only impose an



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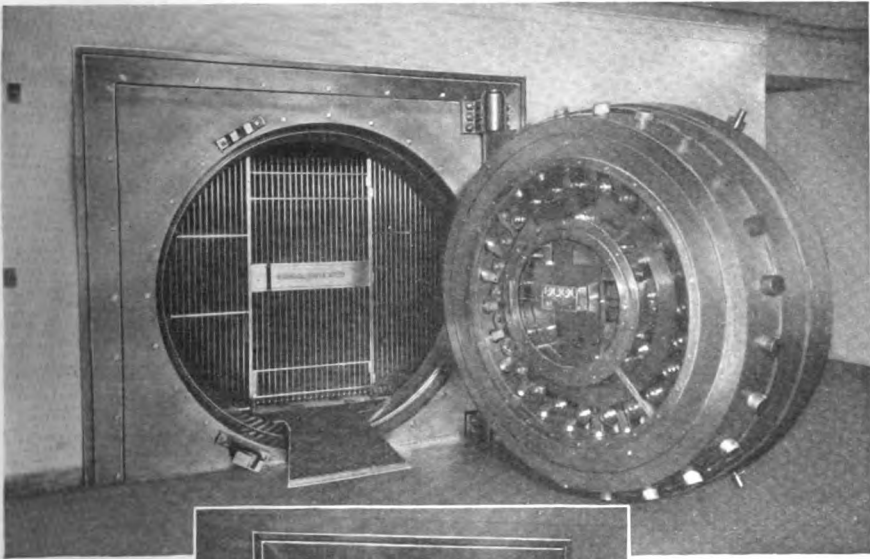
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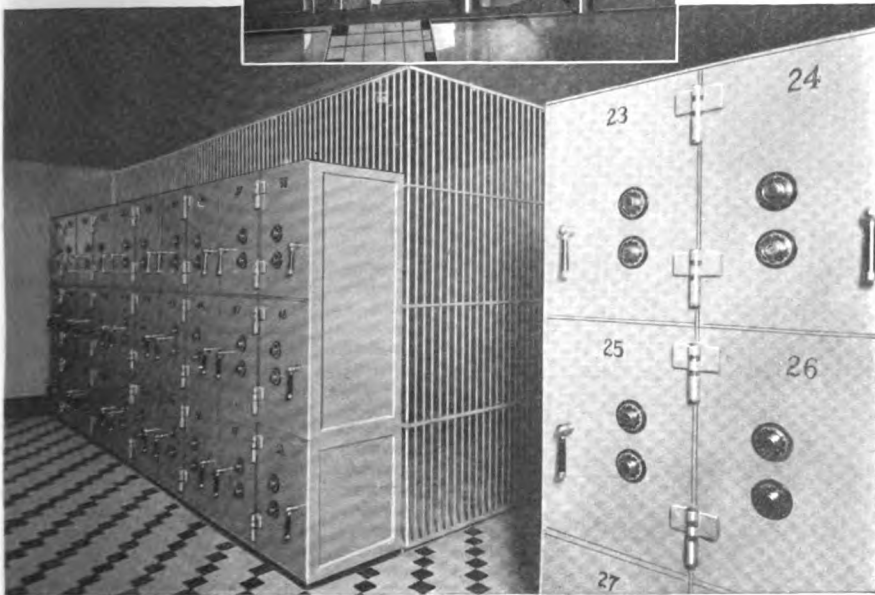
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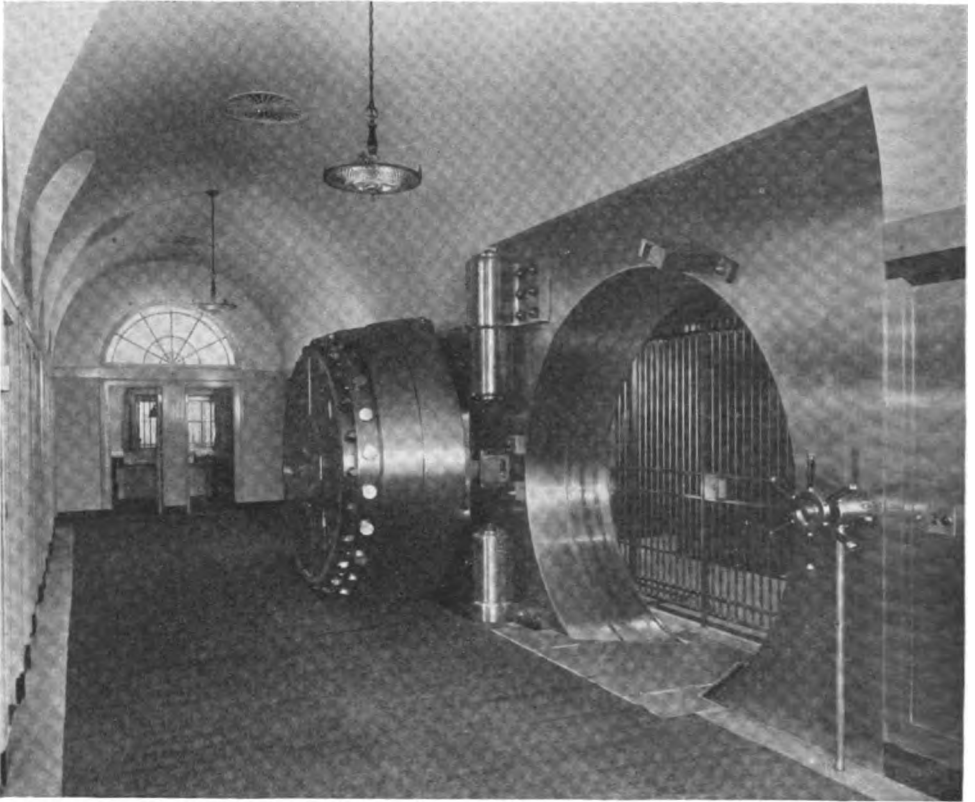


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additional burden on securities of a national character.

Instead, the committee recommended that the effort should be made to cooperate with the various commissioners and states in the effort to achieve further uniformity in legislation on this subject; that there should also be cooperation with the commissioner on the problems of administration, for the purpose of standardizing the regulations and requirements for information of the various commissions; and that each local group should designate some one to deal with blue sky matters and to keep in touch with the national securities law committee. Such a policy will eventually convince the public and the securities commissions that investment bankers are as much interested as any legislator or any administrator in seeing that ignorant and unsuspecting persons are not preyed upon by the crooked promoter and fraudulent dealer.

#### *Norton Opposes Giant Power in Pennsylvania*

As the opening of the second session of the convention a report on the giant power situation in Pennsylvania by R. E. Norton which was not on the program, was read. The report called attention to the Giant Power Report, issued by the State of Pennsylvania in February, 1925, suggesting the establishment of giant power stations of about 500,000 kilowatts capacity each at the mouth of mines in western Pennsylvania. The energy was to be transmitted over the state via high tension lines, and distributed through the local systems whose generating capacity would be used for standby or intermittent service. A common pool of power was to be created and the electric power business separated into three branches; generation, transmission, and distribution. No corporation was to be allowed to do more than one of these three kinds of business.

This proposal, said Mr. Norton's report, is based on an economic fallacy; viz., it depends on a net fuel cost, due to the efficient marketing of by-products

and residue from the coal consumed by the giant power stations. There is no assurance that this profitable utilization of by-products could be done regularly. Instead, their utilization would depend on business conditions. Such a dependence would take away one of the factors of the stability of public utility corporations and their securities. They would once more be at the mercy of industrial conditions.

The prohibition of one corporation from engaging in more than one of the three kinds of electric power business; namely, generation, transmission and distribution, would disintegrate most of the great power utilities in Pennsylvania with consequent disastrous effects on the securities of these companies. The abandonment of existing stations except for standby or intermittent use would also have this effect—in addition to being uneconomic.

The dangers of this situation have been perceived, and the plan is being combatted by the electric utility industry, the Philadelphia Chamber of Commerce, the Pennsylvania State Chamber of Commerce, and the Bond Club of Philadelphia. The investment bankers, also have an interest in this.

After hearing this report, the convention adopted the following resolution:

RESOLVED, That the Executive Secretary of this association be instructed to forward to the executive secretary of the American Bankers Association copies of the 1925 report of the Special Giant Power Committee, together with copies of an analysis of the so-called giant power schemes by Charles Penrose, with the request that such copies be transmitted to the president of the American Bankers Association.

#### *Changes in Federal Taxation Advocated*

The Committee on Federal Taxation presented a long report on the present Federal tax system, with the comment that "the outlook for a further sizable reduction of Federal taxes is particularly bright." The gist of the report is summarized in the five recommendations made by the committee before the Ways and Means Committee of the



House of Representatives, which recommendations demanded:

1. The reduction of the rates of the individual income tax to the point where the combined surtax and normal tax will not exceed 25 per cent. in order that tax avoidance may cease and funds seeking investment may be attracted into productive business rather than tax exempt securities.

2. The repeal of the Federal estate and gift taxes, upon the ground that death taxes should be left to the several states and that such levies should be used by the Federal Government only in times of war emergencies.

3. The elimination of both items of capital gains and capital losses for the purposes of the income tax, pursuant to the resolution adopted by the association at the last annual meeting held at Cleveland, Ohio.

4. The exemption of the interest on bonds, notes and other obligations of American corporations held by non-resident aliens from the application of the United States income tax when the country of which such non-resident alien is a citizen or subject in like cases extends reciprocal rights to citizens of the United States.

5. The repeal of the provisions of the present law for publicity of the amount of tax paid by every taxpayer.

#### *Expansion in Real Estate Securities Field*

H. N. Gottlieb of S. W. Straus & Co., New York, chairman of the Real Estate Securities Committee, presented a voluminous report on that subject, including, in addition to the general comment: an analysis of the essential factors in connection with construction payments; discussions of leasehold bonds, land trust certificates, guaranteed versus unguaranteed bonds and mortgages, financing agriculture, timber bonds; a comprehensive analysis of authoritative statistics on building costs and rents; and a bibliography on the subject of real estate securities.

The general comments on the situation began by pointing out the growing volume of real estate securities. Less than \$50,000,000 was offered in 1919. In 1925 the total volume was close to \$1,000,000,000. Current criticism of this stupendous growth in real estate financing takes two forms; the first maintaining that real estate bonds and

mortgages rank high as safe securities but are being opposed by some investment bankers because they are a new type of security invading the investing field; and the second viewing with alarm the rapid expansion in volume, the increasing number of dealers, the ease with which the business may be undertaken without adequate resources, experience and public regulation, and doubting whether the present developments such as building shortage surplus, costs and rents are being considered sufficiently to insure normal safety.

In too many cases, the report continued, guarantees have been substituted for sound substance in the projects themselves. While a guaranty has value, it should not be exalted so as to inculcate indifference to the primary security. Again, appraisals have been taken too readily by the public, without questioning the source of the appraisals, and how nearly they approximate actual value. Since the public is not equipped to discriminate and analyze such appraisals, the investment banker has a responsibility in this regard. In short, says the report, the investment banker must be the main critic of his own offering.

#### *Throwing the Spotlight on Payment Defaults*

The Municipal Securities Committee reported that the plan formulated to give publicity to defaults in the payment of principal and of interest of all types of municipal bond issues has been in operation for about seven months. The effectiveness of this procedure is apparent in the fact that the publicity of defaults has cured within thirty days time about one-third of all reported defaults.

There have been, for a number of years, the report went on, many defaults in bonds issued by local improvement districts in the State of Washington. This situation was further weakened a few years ago, when the Supreme Court of that state declared, in effect, that when property was sold

by county officials for delinquent state and county taxes, the tax lien of any local improvement district was automatically vitiated. The result of this is that of 155 cities and towns questioned last August, twenty-one had no local improvement district bonds; fourteen had \$449,148 bonds outstanding and none in default; and seventeen had \$3,757,671 bonds outstanding, \$1,439,710 of which were in default. This is brought to the attention of the convention in order that the members may exercise the only remedy possible—avoid such communities as consider their public credit of no value.

### *Problems of Commercial Paper Houses*

At the last annual convention, a new committee, the Commercial Credits Committee, was created to consider "the problems of those of the member houses who deal in commercial paper and short-time credits." Certain portions of the first report of this committee are so important to bankers that they are quoted verbatim as follows:

Competitive methods among dealers in commercial paper have included some practices that it is felt have not been productive of the best results to the dealers in paper themselves, nor to the general standing of the business. Continuous efforts to secure the accounts handled by other houses, by wholesale offers of paper at rates definitely above the market, have had a very unsettling effect on the business, and have created, among other factors, a tendency to cut down profits to a point incommensurate with the risks involved. It is hoped that gradually, through a co-operative effort on the part of all the commercial paper houses, some of the more objectionable competitive methods will be eliminated.

The remuneration for the manifold services rendered by the commercial paper house, appears inadequate in the light of the general increase in the cost of doing business. The recognized commission is still  $\frac{1}{4}$  of 1 per cent.—unchanged during a period of many years. In many cases, owing to special considerations and more particularly to the competition of banks and trust companies in lending at low rates to their own customers (a condition that is always specially acute in times of money ease) the remuneration is even less than  $\frac{1}{4}$  of 1 per cent. The commercial paper houses are unanimous in believing that the business service rendered entitles them to

a minimum commission of  $\frac{1}{4}$  of 1 per cent.

The commercial paper houses also have problems of great difficulty to meet in their relations with banks. In no other business are sales effected on an optional basis—that is, on a repurchase agreement. A large amount of all commercial paper is sold subject to an option to return it within a specified time, if the credit investigation proves unsatisfactory to the purchasing bank.

The committee believes that this practice is unsound in principle, and unfair in its application. It doubts the feasibility of attempting its complete elimination at this time, but believes that with the co-operation of the banks, substantial modifications can be accomplished.

Finally, it is felt that a certain amount of publicity carried on in a dignified manner can bring to a larger group of merchants and manufacturers the advantages of borrowing through the commercial paper method, and to a larger group of banks the advantages of short-term investment in commercial paper. This work, it is felt, should take the form of addresses and articles by members of commercial paper houses, bank officers, prominent merchants using the commercial paper method, to be delivered at bankers and other conventions and to appear in banking and trade magazines as opportunity arises.

### *Educational Activities*

The Investment Bankers Association, like every other trade organization, is interested in the training of young men in the business, and in constantly increasing the knowledge of the people in the business. The agency for accomplishing this is the Education Committee, headed by Lawrence Chamberlain. During the last year, Mr. Chamberlain said in his report, two books sponsored by the committee have been published; one on "Security Syndicate Operations" by Arthur Galston, and the other on "Bond Salesmanship" by William W. Townsend. Three other books—"Public Utility Bonds" by Clinton Colliver, "Foreign Investments" by Prof. George W. Edwards, and "Investment Advertising" under the direction of E. Paul Young—are in preparation.

The committee reported that during the year, a course in "Bond Salesmanship" was started in St. Louis, in co-operation with the United Y. M. C. A. Schools, and the preliminary work nec-

essary to establishing such courses in Newark, Pittsburgh, Cincinnati, Columbus, St. Louis, Louisville, Wichita, St. Paul, Minneapolis, Duluth, Detroit, Toledo, and Cleveland has been done.

In conclusion, the report called attention to and described the work of the Business Historical Society of the Harvard Graduate School of Business Administration in collecting a national financial library, and urged the active support and help of the investment bankers of America in the collection and preservation of business literature.

#### *Election of Officers*

At the close of the convention, the following officers were elected to serve for the ensuing year: president, Ray Morris, Brown Bros. & Co., New York, vice-presidents, Arthur H. Gilbert, Spencer, Trask & Co., Chicago, Pliny Jewell, Coffin & Burr, Boston; John W. MacGregor, Glover & MacGregor, Pittsburgh; Tom K. Smith, Kauffman, Smith & Co., St. Louis; and Eli T. Watson, Watson, Williams & Co., New Orleans; secretary, Frederick R. Fenton, Chicago; and treasurer, Frank M. Gordon, First Trust & Savings Bank, Chicago. Governors elected included: Frank C. Nicol, Nicol, Ford & Co.,

Detroit; Clarkson Potter, Hayden, Stone & Co., New York; Sigmund Stern, Stern Bros & Co., Kansas City; Carroll J. Waddell, Drexel & Co., Philadelphia; R. A. Wilbur, the Herrick Co., Cleveland; Alden H. Little, Little & Moore, Inc., St. Louis; and Joseph R. Swan, Guaranty Company of New York.

Mr. Morris was born in New Haven on June 4, 1878, and received his early education at Phillips Andover Academy, graduating in 1897. He was also graduated from Yale in 1901 with the degree of Bachelor of Arts. He took special graduate work in economics at Yale, and received the degree of Master of Arts in 1908. After leaving college, Mr. Morris served from 1908 to 1910 as managing editor of the Railroad Gazette. In 1911 he joined the investment firm of White, Weld & Co., New York, and continued in that position until 1920. In 1921 he became a partner in the firm of Brown Bros. & Co., New York.

From 1917 to 1919, Mr. Morris was connected with the Federal Reserve Bank of New York as director of sales in the certificates of indebtedness department. He is a trustee of Vassar College, and is a director and treasurer of the Brearley School.



**I**T is true of any country that it cannot be great unless in the final analysis its citizens are prepared to fight for it. I think that the same principle is true in the conduct of any great business movement. Bankers should be willing to fight for themselves and the causes they sponsor.—*James H. Perkins.*

# Banking and Commercial Law

SPECIAL

**THE BANKERS  
MAGAZINE**

SECTION

1810



1926

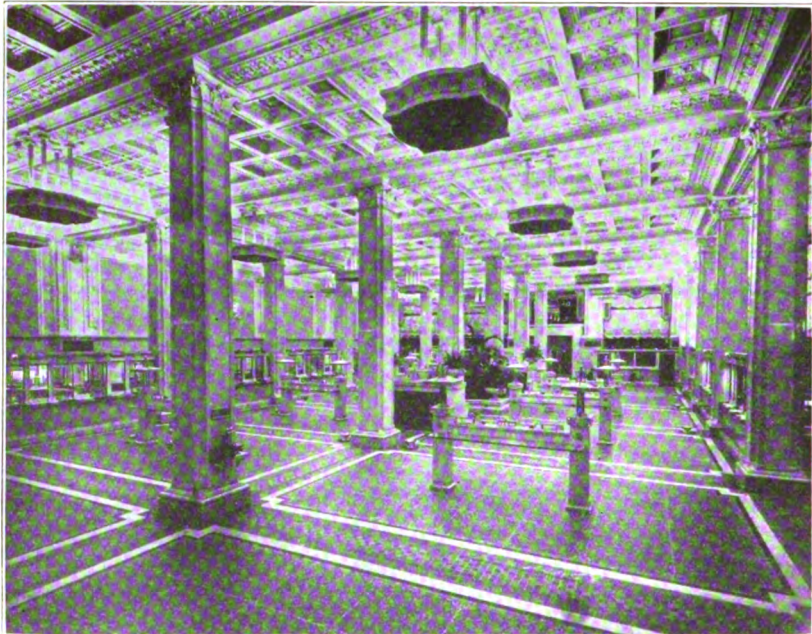
*A Distinctive Service for  
Your New York Business*

**THE  
MECHANICS & METALS  
NATIONAL BANK  
OF THE CITY OF NEW YORK**

**Deposits, Dec. 31, 1925, \$332,000,000**

**G. W. McGARRAH**  
Chairman of the Board

**JOHN McHUGH**  
President



THE FIRST NATIONAL BANK, LOS ANGELES, CAL.

### TIME TELLS THE STORY

**T**HIS interior was designed and executed by this Company in 1912—14 years ago. Every branch of the work was of the highest quality. All of the richly modelled bronze work was treated by the Gorham Company with their standard gold plate.

A recent inspection shows no impairment in this or in other branches of the work.

It has always the value of gold, both in effect and in fact, and will wear indefinitely without cost of upkeep.

We have used this process in many of our operations.

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## WEARY AND ALFORD COMPANY

Bank and Office Buildings  
1923 Calumet Avenue  
Chicago

# Banking and Commercial Law

Important Decisions of Current Interest Handed Down by State and Federal Courts  
Upon Questions of the Law of Banking and Negotiable Instruments

## Bank Not Entitled to Recover on Blanket Forgery Policy

Fletcher Savings and Trust Company v.  
Fidelity & Deposit Co. of Maryland,  
Appellate Court of Indiana, 149 N.  
E. Rep. 105.

**T**HE defendant insurance company issued a bankers' blanket forgery and alteration policy in the sum of \$25,000, insuring the bank against losses which, among other things, might be sustained through the payment by the bank of any note payable at the bank "upon which the name of any indorser shall have been forged."

A lithographing company applied to the bank for a loan. Saltzgaber, an officer of the company, presented to the bank a writing purporting to be signed by Henkel, another officer and a man of financial responsibility. The writing recited that Henkel agreed to become responsible for all debts owing from the company to the bank and renewals thereof. Relying on this agreement, the bank advanced \$39,000 to the corporation upon its notes. The signature of Henkel turned out to be a forgery. The lithographing company became insolvent and the bank undertook to collect its loss from the defendant insurance company.

It was held that the policy did not cover a loss of this kind. The transaction here involved was a loan of money and the policy covered only losses "sustained through the payment by the insured bank \_\_\_\_\_ of any promissory note" described in the policy. It did not purport to cover losses on account of money loaned under the facts recited.

Action by the Fletcher Savings and Trust Company against the Fidelity & Deposit Company of Maryland. From a judgment sustaining a demurrer, plaintiff appeals. Affirmed.

### OPINION

McMAHAN, J.—This action was brought by appellant to recover on a bankers' blanket forgery and alteration policy of

insurance. The complaint was in two paragraphs. A demurrer to each paragraph having been sustained, appellant appeals.

The first paragraph of complaint alleged in substance that on November 15, 1921, appellee issued to appellant a policy of insurance, whereby appellee agreed to indemnify appellant against direct loss which might be sustained by appellant under the terms of such policy. The policy is made a part of the complaint, and by its terms appellee agreed to indemnify appellant against loss, not exceeding \$25,000, which it might sustain through payment by appellant:

A. Of any check, certified check, or draft drawn upon the insured bank, or of any promissory note or domestic trade acceptance or bank acceptance payable at the insured bank, and upon which there shall have been forged as the drawer, maker, or acceptor thereof, the signature of a depositor or that of any person whose signature such depositor has instructed the insured bank to recognize, and/or

B. Of any check, certified check, or draft drawn upon the insured bank, or of any promissory note, domestic trade acceptance or bank acceptance payable at the insured bank, or of any certificate of deposit issued, or of any acceptance made, by the insured bank which shall have been raised or altered in any respect, or upon which the name of any indorser shall have been forged.

That while said policy was in force, the Mutual Printing & Lithographing Co. applied to appellant to extend certain credit to it on promissory notes to be executed by said company to appellant. That B. G. Saltzgaber and W. E. Henkel had been and then were officers and stockholders of said company, said Henkel then being a man of large means and abundantly responsible for any obligation incurred by him up to \$100,000. That appellant refused to extend any credit to said company unless and until said Henkel should become indorser of such notes as should be executed by said company to appellant. That thereafter Saltzgaber presented to appellant a written instrument purporting to have been signed by Saltzgaber and Henkel, and reading as follows:

Indianapolis, Indiana. February 8, 1922.

I hereby become surety for the payment of all present or future obligations and indebtedness, and the renewals and extensions thereof, now owing or hereafter incurred by the Mutual Printing & Lithographing Company to Fletcher Savings & Trust Company of Indianapolis, and as such surety I agree to pay such respective obligations, debts, renewals and extensions according to their terms. On written notice from me to said bank to that effect, I shall not be liable for obligations thereafter incurred. B. G. Saltzgeber, W. E. Henkel.

That when Saltzgeber presented said instrument to appellant he represented that it had been executed by Henkel, and appellant believing it had been executed by Henkel, took and accepted from said company certain promissory notes, and that it paid to said company the total of \$39,000, which amount was subsequently reduced to \$38,000 by reason of a certain payment.

That during all the time herein referred to and for many years prior thereto there has existed continuously an established, uniform, widespread, universal, general, and notorious custom and usage in the banking and trust company business in the City of Indianapolis, and elsewhere throughout the State of Indiana, that the word "indorser" signified and included all persons who indorsed a promissory note on the note itself, and also signified and included all persons who, by a separate written instrument, agreed to pay the present or future obligations and indebtedness of another; that the plaintiff and defendant in making the said insurance contract contracted with reference to and in view of said custom, usage, and practice, and that the same entered into and became a part of said insurance policy, and that said insurance policy was executed by the parties thereto with full knowledge on the part of each of said custom, usage, and practice, and with the intent and purpose that such custom, usage, and practice should apply to and become a part of said insurance policy; that the word "indorser" used in said insurance policy was used with reference to said custom, usage, and practice, and with the intent on the part of both parties thereto that it should and did include not merely a forged indorsement on a note itself, but any forged signature of any person who by a separate written instrument agreed to pay the obligation of another.

That during all the times hereinbefore

referred to and for many years prior thereto there had existed continuously an established, uniform, widespread, universal, general, and notorious custom, usage, and practice in the banking and trust company business in the City of Indianapolis, and elsewhere throughout the State of Indiana, of which defendant had full knowledge and notice at the time it executed the policy sued on, that banks and trust companies, when they desire to procure the indorsement of a particular person on the promissory notes of a corporation which are often to be renewed in whole or in part, would, instead of procuring such indorsement on each note as executed, procure from said proposed indorser a general agreement that he would become liable for the payment of all present or future obligations and indebtedness and the renewals and extensions thereof, and an agreement from such prospective indorser to pay such respective obligations; that the plaintiff and defendant, in making said insurance contract, contracted with reference to and in view of said custom, usage, and practice, and that the same entered into and became a part of said contract and insurance policy, and that said contract and insurance policy was executed by the parties thereto with full knowledge on each of their parts of said custom, usage, and practice, and with the intent and purpose that such custom, usage, and practice should apply to and become a part of said contract and insurance policy, and that an agreement of the character above referred to, whereby said Henkel agreed to become surety for the payment of all present and future obligations and indebtedness of said Mutual Printing & Lithographing Company, and as such surety agreed to pay such respective obligations, was, within the contemplation of the parties, an indorsement of each of such promissory notes; that the plaintiff heretofore had for many years prior to the execution of the policy sued on followed such custom, usage, and practice, and that the defendant had full knowledge and notice of such fact at the time it executed said policy of insurance; that Saltzgeber is dead; that Henkel did not sign said instrument, his signature thereto being a forgery; that the lithographing company is insolvent and in the hands of a receiver; that appellant will not receive from the estate of Saltzgeber and from the lithographing company a sum in excess of \$4000, and that the

total loss to appellant on account of said forged instrument will be in excess of \$34,000; that appellant did not learn of said forgery until after said money had all been paid to said company; that appellant believed the apparent signature of Henkel was his genuine signature, and that it would not have paid said money to said company if it had not believed Henkel's signature was genuine. That proof of loss was made as required by the terms of the policy, and demanding judgment.

The second paragraph, after alleging the execution of the policy of insurance, is in substance the same as the first, except it omits the allegations concerning the custom and understanding as to the use and meaning of the word "indorser," and, in lieu thereof, alleges that, while the policy was in force, appellant paid to the lithographing company more than \$37,000 in payment of certain written promises purporting to have been executed by said company, Saltzgaber, and Henkel, by the terms of which they promised to pay appellant at its bank a fixed sum of money. That said written promises to pay consisted of five separate instruments, all of which are set out and all of which are alleged to have constituted a single transaction. The first of said instruments is the written promise purporting to have been signed by Henkel. The other four are promissory notes aggregating \$39,000, executed by the lithographing company to appellant, each having on its face the words, "customer's loans."

Appellant, in discussing the first paragraph of complaint, recognizes and treats the several payments of money to the lithographing company as loans. The second paragraph alleged that the money was "paid" to the lithographing company on the execution of certain notes, designated as "customer's loans." In discussing the sufficiency of this paragraph appellant makes no claim that the money paid to the lithographing company was anything other than a loan, and we are of the opinion that each paragraph clearly shows a loan of money to the company. We will, therefore, treat the transaction as a loan.

Henkel's name does not appear on any of the notes executed by the lithographing company and which were given for the money loaned to that company. The only instrument purporting to have been signed by him and on the strength of which the

loans were made is the forged instrument hereinbefore set out.

Appellant has assumed that the loans to the lithographing company alleged in the complaint are covered by the policy of insurance, and had devoted the whole of its discussion to the propositions: (1) That the name of Henkel must be construed as being written upon each of the notes given by the lithographing company; and (2) that he was an apparent indorser of each of said notes. Having reached the conclusion that the transaction as alleged in the complaint is not covered by the policy of insurance, it is not necessary for us to determine whether the name of Henkel to the collateral agreement is to be considered as if it had been on each of several notes, or whether, if his signature had been genuine, he would in law have been an indorser on the several notes.

Concededly, the policy extended insurance against forgery only under the conditions and within the limitations stated in the policy. The only provisions of the policy necessary for us to consider are those heretofore set out and designated A and B. Clause A covers checks and drafts drawn upon appellant, and notes, trade, and bank acceptances payable at appellant bank. Not only must the instrument named be drawn upon or payable at appellant bank, but the signature of a depositor in appellant bank, or the signature of some person whose signature such depositor has authorized appellant to recognize must have been forged as the drawer, maker, or acceptor of the instrument. A note, in order to come within this clause, must be made payable at the insured bank, the person whose name appears thereon as maker must be a depositor in the insured bank, and his name, or that of his authorized agent must be a forgery. If a note made payable at appellant bank, purporting to be signed by a depositor, should when due be presented to appellant bank for payment, and it should pay such note, as it would have a right to do without further orders (*Bedford Bank v. Acoam*, 125 Ind. 584, 25 N. E. 713, 9 L. R. A. 560, 21 Am. St. Rep. 258), if the signature of the maker was genuine, and charge the amount so paid against the deposit of the alleged maker, and it should develop that the signature of the depositor to the alleged note was a forgery, appellant under clause A could recover the amount so paid up to the amount of the policy.



If the signature of such maker was genuine, but the amount of the note had been raised or altered in any respect, or, if the name of any indorser upon said note had been forged, the loss if any would be covered by clause B. The policy clearly was intended to cover, among other things, losses on account of the payment of a note which under the law appellant would be justified in paying if the alleged maker were a depositor in appellant bank, and if his name, or that of some indorser thereon were not forged, or the note not raised or altered so as to subject the bank to a loss.

The policy covers loss "sustained through the payment by the insured bank \* \* \* of any promissory note" described in the policy. It does not purport to and does not cover losses on account of money loaned under the facts of the instant case. This being true, there was no error in the action of the court in sustaining the demurrer to each paragraph of complaint. In order for appellant's contention to prevail we would have to read something into the policy and extend the plain terms thereof. This we cannot do.

Judgment affirmed.



### Liability on Check Given for Another Person's Debt

Brook v. Key & Townsend, Court of Appeals of Georgia, 129 S. E. Rep. 913.

Where one person gives his check to the creditor of another person in payment of the debt, the check is founded upon a sufficient consideration and the drawer will be held liable on it to the creditor.

In this case, it appeared that the defendant had agreed to finance his nephew in the purchase of a business from one Martin. The defendant drew two checks payable to the order of the plaintiffs and delivered them to the plaintiffs in settlement of debts owing to them from Martin, whereupon the plaintiffs marked the account paid.

The defendant found out afterward that Martin's business debts were much greater than had been represented and he stopped payment on all the checks which he had given up to the time of making this dis-

covery. In this action by the plaintiffs on the checks, it was held that they were supported by sufficient consideration and that the defendant was liable as drawer.

Action by Key & Townsend against Z. A. Brooks. Judgment for plaintiffs, and defendant brings error. Affirmed.

Z. A. Brooks agreed to let his nephew have the money with which to purchase the stock of goods and business of W. G. Martin, provided Martin's debts did not exceed a certain sum represented by Martin to be the aggregate of his obligations. The purchase and sale agreement being entered into accordingly, Brooks proceeded to give checks to Martin's creditors for their respective claims. Whatever balance remained of the purchase price after the creditors were thus satisfied was to be paid directly to Martin. Before the transaction was closed it developed that Martin's indebtedness was greatly in excess of the amount represented, and Brooks thereupon undertook to recall the various checks which he had issued. Two of the checks had been made and delivered to Key & Townsend; one for \$199.01 and one for \$90.55, covering respectively Martin's account and a dishonored check upon which he was indebted to this firm. Key & Townsend subsequently brought suit upon these checks, and Brooks, the drawer, defended upon the ground that they were without consideration. The trial resulted in a verdict and judgment in favor of the plaintiffs. The defendant made a motion for a new trial containing the usual grounds only, which motion the court overruled, and the defendant excepted.

#### OPINION

BELL, J.—We think the evidence authorized the verdict. A. T. Fuller, sworn in behalf of the plaintiffs, testified that, as a representative of the plaintiffs, and in exchange for the larger check, he "received the invoice that Mr. Martin owed for \$199.01," and that he "asked Mr. Martin about getting Mr. Brooks to make the \$90 check good," the one "that had been turned down by the bank," and that Martin assented; that he (Fuller) then carried the dishonored check to the defendant, Brooks, and "Mr. Brooks took the check, looked at it, and said 'All right.' He (Brooks) then wrote out a check for \$90 and something," and handed it to the witness, who in turn de-

livered it to Key & Townsend. Mr. Key, one of the members of the firm of Key & Townsend, testified:

We received these checks and accepted them in full payment of W. G. Martin's account. That was at the time of the receipt of these checks. When we got the checks we wrote off Mr. Martin's account. . . . The goods we sold and for which these checks represented payment were goods that Key & Townsend sold to W. G. Martin out there. The account was about two weeks old.

It appears from the evidence that, after the purchase from Martin had failed of consummation in accordance with the terms originally agreed upon, there was a meeting of his creditors. Mr. Key was present at this meeting, but testified that he appeared, not as a creditor, but only because he had been notified and requested by another creditor to attend. There was evidence to authorize the inference that he refused to participate in the meeting. T. L. Bowden, an attorney at law, at whose office the meeting was held, testified that "Mr. Key took the position at that meeting that his indebtedness had been settled by some checks."

The defendant testified:

I told him (Martin) to get up a list of his creditors and bring them down to the store and we would pay them off right there. Mr. Fuller and Mr. Martin came down to my store. I don't remember seeing the receipted invoice. He turned it over to Mr. Martin there in the shop, for I gave Mr. Martin the checks. I did not turn the check over to Mr. Fuller; that is, the \$191.01 check. I think Mr. Martin turned it over to him there in the place. . . . I have not given checks to any one except Martin. . . . Fuller met Martin outside with this bad check and came back in and Martin said, "Give me a check for this too," and I gave him a check. Martin kept his bad check and I never had it.

The defendant further testified:

I meant in giving the checks I wanted to be certain that they got the money. . . . I made the checks payable to the creditors direct.

The jury were amply authorized to find that it was the intention of the parties that the original debtor Martin should be released and discharged. The release of Martin was a sufficient consideration for the checks. The evidence sustained the verdict, and the court did not err in overruling defendant's motion for a new trial. See in this connec-

tion *Davis v. Tift*, 70 Ga. 52; *Russell v. Smith*, 97 Ga. 287, 23 S. E. 5; *Saul et al. v. Southern Seating & Cabinet Co.*, 6 Ga. App. 843, 65 S. E. 1065; *Carr v. Rountree*, 9 Ga. App. 393, 71 S. E. 589; *Harris v. Jones*, 140 Ga. 768 (1), 79 S. E. 841.

Judgment affirmed.

## Liability of Collecting Bank for Negligence of Correspondent

*City of Douglas v. First National Bank of Douglas*, Supreme Court of Arizona, 239 Pac. Rep. 785.

The plaintiff city deposited in the defendant bank, for collection, a check for \$5000, payable to the plaintiff's order and drawn on a bank at Willcox, Arizona. The defendant bank sent the check to the El Paso branch of the Federal Reserve Bank of Dallas. The latter sent it direct to the bank on which it was drawn although it appeared that there was another bank in the same town. The drawee bank remitted in the form of a check on a bank at Phoenix, Arizona, and the latter check turned out to be uncollectible.

It was held that the Federal Reserve Bank was negligent in sending the check direct to the bank on which it was drawn. But the defendant bank was held free from liability under the rule that a collecting bank is not responsible for the negligence of its correspondents provided it has used proper care in the selection of such correspondents. There is a conflict among the decisions of the different states on this question, it being held in some cases that a collecting bank is responsible for the negligence of its correspondent banks, even though it has used due care in their selection. This is the first time that this question has arisen in Arizona and, in this decision, Arizona adopts the rule which absolves a collecting bank from responsibility for the acts of its correspondents.

Action by the City of Douglas, a municipal corporation, against the First National Bank of Douglas, a corporation. From a judgment sustaining defendant's demurrer, plaintiff appeals. Affirmed.

### OPINION

LOCKWOOD, J.—Under the laws of Arizona, the authorities of Cochise county

collect the taxes for the various municipalities situated within its borders, remitting the same from time to time to the town and city officials. The treasurer of Cochise county drew his check on the Central Bank of Willcox, then a county depository, for \$5000, in favor of the City of Douglas, hereinafter called plaintiff, and sent the check to the city treasurer. It was duly deposited in the usual course for collection with the First National Bank of Douglas, hereinafter called defendant, by the latter officer. This bank, being the first or initial link in the chain of collection, promptly dispatched the check in the usual manner for collection to the Federal Reserve Bank of Dallas, at its branch in El Paso, Tex.; defendant being a member of the Federal Reserve System and situated within the jurisdiction of the El Paso branch aforesaid.

The Federal Reserve Bank received the check in due course, and, although there was another bank than the Central Bank of Willcox situated in that town, transmitted the check directly to the drawee bank for payment. This last-named bank received the check, charged it to the account of Cochise county, marked it "paid," and returned it to the drawer, and sent in payment therefor to the Federal Reserve Bank a check or draft drawn by it upon the Central Bank of Phoenix. The Federal Reserve Bank accepted this last-named draft and attempted to collect it, but it turned out to be worthless, and was protested. The Federal Reserve Bank then charged back the \$5000 check to the defendant herein, which in turn charged it back to plaintiff.

This action was then brought against defendant. The complaint set up the foregoing facts, and alleged that defendant was liable to plaintiff for the loss of the amount of the check on account of the negligence of the Federal Reserve Bank. The negligence, it was claimed, consisted of two things: First, the forwarding of the check in question direct to the drawee bank for payment, when there was another bank in the same town; and, second, in accepting in payment of the check anything but cash or its equivalent. Defendant demurred to the complaint, the court sustained the demurrer, and, plaintiff declining to amend, rendered judgment in favor of defendant, from which judgment this appeal is taken.

There is no dispute between the parties as to the facts of the case, and this appeal presents two questions of law only. The first is as to whether or not the Federal

Reserve Bank was guilty of negligence. There is some conflict between the authorities as to the legal liability, where forwarding a check for collection direct to a drawee bank, when there is another bank in the same town, results in loss, but we think there is no doubt that the acceptance of anything but cash or its equivalent for such check by the collecting bank is negligence per se. *Ward v. Smith*, 7 Wall. 447, 19 L. Ed. 210; *Bank v. Trust Co.*, 149 Ill. 343, 36 N. E. 1029, 23 L. R. A. 611; *Malloy v. Bank*, 264 U. S. 161, 44 S. Ct. 296; 68 L. Ed. 617, 31 A. L. R. 1261.

The only question then remaining is as to who was liable for this negligence, the forwarding bank, defendant herein, or the Federal Reserve Bank, which actually was guilty of the act constituting the negligence. There is a sharp and irreconcilable conflict of authority on this point. The two opposing principles are well set forth in the case of *Exchange National Bank of Pittsburgh v. Third National Bank of New York*, 112 U. S. 276, 5 S. Ct. 141, 28 L. Ed. 722, in which the court says:

It is contended by the defendant that its liability in taking at New York for collection these drafts on a drawee at Newark, extended merely to the exercise of due care in the selection of a competent agent at Newark, and to the transmission of the drafts to such agent, with proper instructions; and that the Newark bank was not its agent, but the agent of plaintiff, so that the defendant is not liable for the default of the Newark bank, due care having been used in selecting that bank. Such would be the result of the rule established in *Massachusetts (Fabens v. Mercantile Bank)*, 23 Pick. [Mass.] 330 [34 Am. Dec. 59]; *Dorchester Bank v. New England Bank*, 1 Cush. [Mass.] 177, in Maryland, . . . in Connecticut, . . . in Missouri, . . . in Illinois, . . . in Tennessee, . . . in Iowa, . . . and in Wisconsin. . . . The authorities which support this rule rest on the proposition, that since what is to be done by a bank employed to collect a draft payable at another place cannot be done by any of its ordinary officers or servants, but must be entrusted to a subagent, the risk of the negligence of the subagent is upon the party employing the bank, on the view that he has impliedly authorized the employment of the subagent; and that the incidental benefit which the bank may receive from collecting the draft, in the absence of an express or implied agreement for compensation, is not a sufficient consideration from which to legally infer a contract to warrant against loss from the negligence of the subagent. The contrary doctrine, that a bank, receiving a

draft or bill of exchange in one state for collection in another state from a drawee residing there, is liable for neglect of duty occurring in its collection, whether arising from the default of its own officers or from that of its correspondent in the other state or an agent employed by such correspondent, in the absence of any express or implied contract varying such liability, is established by decisions in New York (*Allen v. Merchants' Bank*, 22 Wend [N. Y.] 215 [34 Am. Dec. 289]), . . . in New Jersey, . . . in Pennsylvania, . . . in Ohio, . . . and in Indiana. . . .

The matter is one of first impression in this jurisdiction, and we are, therefore, at liberty to determine it according to our view of what is the best rule, without being hampered or embarrassed by previous declarations of this court. As is said by the Supreme Court of Illinois, in *Wilson v. Bank*, 187 Ill. 222, 58 N. E. 250, 52 L. R. A. 632:

The arguments and reasons upon which these conflicting adjudications are grounded are familiar to the profession, and discussion of the question may well be regarded as exhausted by what has been so often said pro et con in judicial opinions and by law writers.

Nor would a mere marshaling of the numerous cases be of particular benefit. They are fairly balanced so far as numbers are concerned, and wholly irreconcilable. In passing upon this question, we use for our guide the principle laid down in *Exchange National Bank v. Third National Bank*, supra, which is well stated as follows:

The question involves a rule of law of general application. Whatever be the proper rule, it is one of commercial law. It concerns trade between different and distant places, and, in the absence of statutory regulations or special contract or usage having the force of law, it is not to be determined according to the views or interests of any particular individuals, classes or localities, but according to those principles which will best promote the general welfare of the commercial community.

Looking at the case in the light of the last quotation, we feel satisfied as to which rule would better promote the general commercial intercourse of the country. It is a fact of which this court takes judicial notice, that, when the customer of a bank deposits with it for collection a check drawn on some institution in another town or state, it is not anticipated either by the customer or by the receiving bank that the latter will send one of its own officers or servants out of town to present the check to the drawee for payment. If such a thing were required or customary, the expense of collecting checks of small amounts would be prohibitive, and the general business of our country, founded and built up as it is upon the free transmission and acceptance of checks in payment, instead of the actual cash, would be seriously hampered. And, if the banks of this state, which receive checks for collection daily from their customers, were obliged to account for the negligence of any and all of the collecting agencies down the line, they would in self-protection be compelled to charge a sufficient sum to reimburse them for their risk, or perhaps annex to items for collection other onerous conditions, instead of, as now, performing the services either without charge, or for a nominal amount, and with little burden to the customer.

We are of the opinion that, notwithstanding the very high authority which supports the so-called New York rule, the Massachusetts doctrine is more consonant with sound reason and the fundamental principles of commercial law, and that, in the absence of a special agreement to the contrary, a bank which receives a check or draft on an out of town institution for collection is responsible only for reasonable care in selecting the proper agent to which it shall be sent for that purpose, and transmitting the paper with proper instructions, and that the actual collecting institution is the agent, not of the forwarding bank, but of the payee of the instrument.

For the foregoing reasons, the judgment of the superior court of Cochise county is affirmed.



# The Chase National Bank

of the City of New York

57 BROADWAY

Statement of Condition at Close of Business,  
December 31, 1925

| RESOURCES                                |                         | LIABILITIES                                  |                         |
|--|-------------------------|--|-------------------------|
| Cash and Due from Banks.....             | \$221,935,962.54        | Capital .....                                | \$ 20,000,000.00        |
| Loans and Discounts.....                 | 303,961,074.47          | Surplus and Profits .....                    | 27,178,043.06           |
| U. S. Government Securities..            | 69,557,852.73           | Reserved for Taxes, In-<br>terest, etc. .... | 525,014.57              |
| Other Securities .....                   | 19,157,281.21           | Dividend Payable Jan. 2, 1926                | 800,000.00              |
| Redemption Fund—U. S.<br>Treasurer ..... | 50,000.00               | Deposits .....                               | 564,608,785.07          |
| Customers' Acceptance<br>Liability ..... | \$26,652,631.58         | Circulating Notes .....                      | 977,400.00              |
| Less Amount<br>in Portfolio              | 3,806,740.12            | Acceptances .....                            | \$27,273,031.39         |
|  | 22,845,891.46           | Less Amount<br>in Portfolio                  | 3,806,740.12            |
| Other Assets .....                       | 542,168.19              |  | 23,466,291.27           |
|  | <u>\$638,050,230.60</u> | Other Liabilities .....                      | <u>494,696.63</u>       |
|  |                         |  | <u>\$638,050,230.60</u> |

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# Banking Publicity

Special Section of The Bankers Magazine

JANUARY 1926

## Bank Windows of the South and West

By M. E. CHASE

LOCATION is one of the outstanding requirements of a successful bank. It is no unusual thing to see a bank on the most expensive piece of ground in the city—the corner by which the greatest number of people pass daily. And in large cities, it has been proved that as high as \$2000 per front foot is a worth while investment for a bank site. Particularly is this true when that expensive frontage is made such use of as to bring in many from among the great number of people who pass daily, by means of window displays, such as are being used by progressive banks of the South and the West.

### A Check on Costs and Results

In view of the thorough check on costs and results made by Allan Herrick, advertising

manager of the United States National Bank, Denver, Colo., his conclusions are noteworthy. Mr. Herrick says: "We know that our window displays have made good, both inside and outside the bank. Denver people very commonly refer to us as 'the bank with the window displays.' And when our employes comment on the bank's advertising, it is the windows which appeal to them most, even though we have used other mediums years longer than windows, and we spend but one-twentieth the amount on windows that we do on other mediums.

"To check the bank window circulation, on just an ordinary day, from seven in the morning till ten at night, about 18,200 people passed the bank; 14,000 were men, 4000 were women and 200 were children.

| Hours A. M. | People |
|-------------|--------|
| 7-8         | 366    |
| 8-9         | 964    |
| 9-10        | 1015   |
| 10-11       | 1376   |
| 11-12       | 1732   |

| Hours P. M. | People |
|-------------|--------|
| 12-1        | 2697   |
| 1-2         | 2034   |
| 2-3         | 1686   |
| 3-4         | 1318   |
| 4-5         | 1104   |
| 5-6         | 1535   |
| 6-7         | 709    |
| 7-8         | 769    |
| 8-9         | 602    |
| 9-10        | 577    |

"Eighteen thousand is the circulation of our *Rocky Mountain News*. The first year we used window displays, it cost us \$6000 to rebuild our windows and \$3000 for displays. That year newspaper space and cuts cost us \$52,000, and we did not advertise in the papers every day as we did in our windows.

"And we now have on hand an accumulation of window display fixtures:



A chart prepared by Allan Herrick, advertising manager of the United States National Bank, Denver, Colo., to show comparative costs and circulation obtained by window displays and newspaper advertising.



Examples of recent bill board advertising of the Union Trust Company of Cleveland, Ohio.

|                                       |          |
|---------------------------------------|----------|
| 2 electric candle sticks .....        | \$ 15.00 |
| 3 large panel background frames ..... | 30.00    |
| 1 2' x 4' frame with base.....        | 100.00   |
| 1 walnut poster holder .....          | 4.00     |
| 2 walnut frames .....                 | 21.00    |
| 3 walnut pedestals .....              | 37.00    |

"In our opinion, the wood and workmanship of our windows, and what goes into their displays, should be the best that can be bought—at least as good and preferably better than other business houses in Denver are using.

*Trying Ideas Out in Windows Before Using Newspapers or Direct Mail*

"Because our window displays are advertisements where the pulling power is visible, this bank has adopted the policy of trying ideas out in the windows before spending the greater amount necessary to advertise them in the newspapers and direct by mail."

It was back in 1915 that W.

R. Morehouse, vice-president of the (now) Security Trust and Savings Bank in Los Angeles, pioneered in displays for banks, with two windows in one of its offices.

Mr. Morehouse says: "Because these two windows succeeded so well at the job of attracting attention to the bank's location, the other eleven windows were put to work. Then window displays spread

to all the other branches, until now thirty-two Security windows are receiving a fresh dress each week. The windows of the main bank are built for displays but 18 inches high, entirely enclosed with glass top and velvet curtain background. However, this is not ideal. We simply made the most of what we had to work with. Were we building, we would make our windows two feet above the street level, to be at least four feet high, entirely enclosed, with sliding panel-doors, and have a top trough lighting arrangement.

"Our windows keep a good man busy. The cost for materials is about \$100 per month, but this, it must be remembered is after years of accumulation of properties."

*Using Historical Material of Local Interest*

According to Ronald S. Robinson of the American Bank of San Francisco: "Historical material of local interest, seems to draw the most attention; however we interchange this type of display with straight pullers for business for every department of the bank. A particularly good pulling window we leave in for ten days or two weeks. One that does not pull well is taken out after a few days, or sometimes, such a display is toned up with a stronger attention getter. We can see that our windows are bringing in new business—particularly do we notice this with strangers, to whom one bank is as good as another. Our displays average about \$7.50 each."

D. N. Millan, assistant cashier of the San Diego Savings Bank says: "Our bank is using one window for display purposes, expending on an average of \$15 per display.

*Timeliness and a Good Tie-up*

"Perhaps we drew most attention to our travelers' cheque window used during the World Flight, April to September 1924, in which we had a map of the world, pegging the fliers from day to day.

"It is our policy to use no display that does not have a strong tie-up with some bank service, and we find that none of the bank's services are void of interesting possibilities."

"The American Bank of Spokane claims pioneership with window displays in that city," says Carl W. Art, "be-



A window display of a Duluth, Minn., bank showing both in picture and actual progress of material, various steps in the manufacture of a book. The exhibit was prepared by a publishing house and loaned to the bank. In the background of the display, on the right, will be seen a poster "Save! To Buy Books." The bank says regarding the display: "We did not prepare any special campaign to open savings accounts in connection with the 'Save to Buy Books' idea, but simply inserted the display in the window from a general good will standpoint and as a new thought for the stimulation of savings accounts. The display brought forth a good deal of favorable comment, and while we do not know of the immediate direct results, we were well satisfied with our efforts expended."



cause most banks there use only newspaper and direct by mail advertising. Our window advertising has proved a great publicity medium, because of its novelty, and statistics show it has brought in some worth while business.

"Sometimes our displays consist of curios, again they feature the doings of the hour, and about one in four directly boosts for business for the bank. Displays are changed every week or ten days, and average \$20."

*Keeping Windows Different as to Ideas, Objects and Color Scheme*

Joseph G. Morrow, vice-president of the First National Bank of Santa Rosa, California, says: "We change our displays twice a month and make it a point to keep the

appearance of each display very different as to color scheme, size of objects used and the ideas.

"For instance, one display consisted of a much labeled suitcase, golf bag, steamer gun on one side of the window. On the other side was a tramp's luggage of a bandana handkerchief covering, and over a pile of sticks was a tomato can—the idea being, 'Who will your traveling companions of the future be? Your savings tell.' In front of the caption card were savings books and home safes.

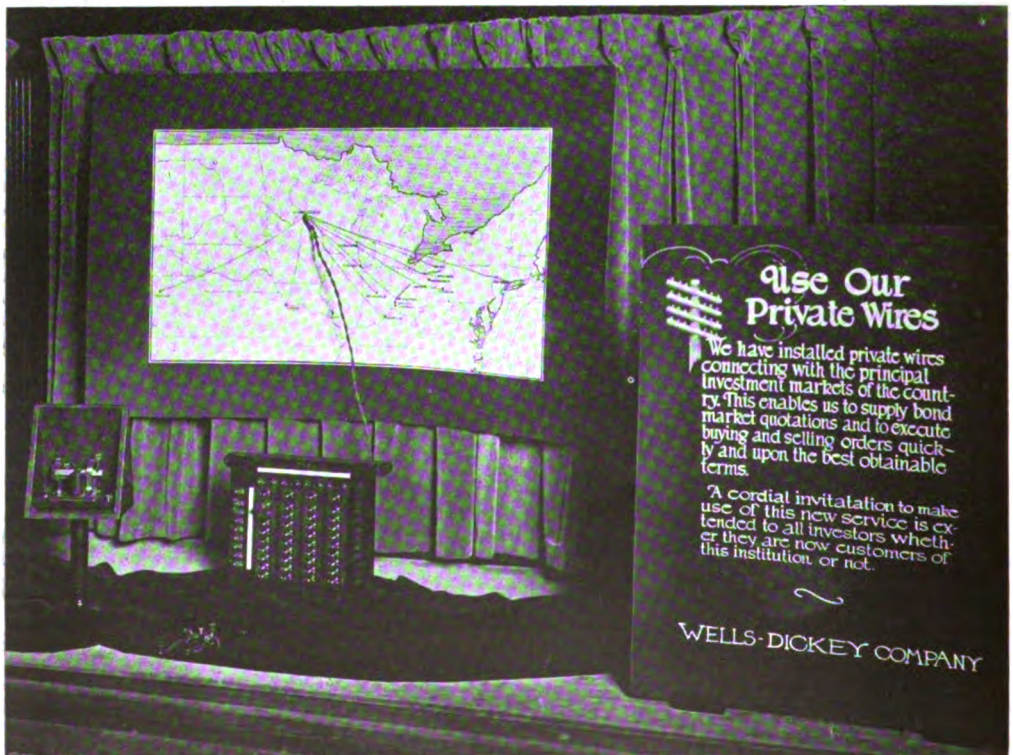
"The next display was an improvised red brick fireplace from which hung filled stockings, a home safe and bankbook sticking out of each. Around the log, strips of red and orange georgette flames

'burned' by the help of an electric fan concealed below. The caption card suggested that Christmas is the right time for father to see that each member of the family has a savings account.

"Displays average \$5 to \$10, as we do the actual work of building them ourselves."

*A Christmas Window Which "Sold" the Institution*

S. L. Roland, president of the Prudential Building and Loan Association of Los Angeles, says: "We think a great deal of our big window as an advertising medium. We first used a news board service and while it drew crowds, we had the feeling that it was not 'selling' building and loan accounts, or even leaving much impression of the institution



A display giving a pictorial representation of the private wire system of a Minneapolis investment banking house, connecting the firm with the country's principal investment markets.



One of a series of window displays of Kansas City products installed by a Kansas City bank. The displays presented products the manufacturers of which were also customers of the bank. The above display of the Witte Engine Works was the first of the series. At the right of the display is a two horse-power Witte engine. The display includes photographs of Witte engines in operation in various out-of-the-way points of the globe; a typical day's mail from foreign countries; foreign bank drafts in payment for Witte engines; and Witte catalogs, folders and circulars in the various languages necessary to do business in many quarters of the globe.

in whose window it was seen. Whereas, the window we used at Christmas time, for instance, we know 'sold' our institution. It consisted of a 'snow' covered floor and about a gayly lighted Christmas tree were Christmas packages of all descriptions which had been opened, but showed themselves to be hastily closed again, concealing the contents. By each package was a caption card, such as: 'If I showed that kind of judgment in picking out a tie for him, he'd divorce me;' and again, 'This style makes me look like a tub;' and again, 'All I need is corkscrew curls with this to look like a regular old maid.'

"One of the main caption cards suggested that, 'Father won't go wrong to give building and loan accounts.' Another read, 'Thousands and

thousands of dollars are wasted every Christmas on gifts that don't fit in. Be safe—give building and loan certificates.'

"The experience of the Merchants Trust Company and the Merchants National Bank of St. Paul, Minn. in the use of window display advertising has been very gratifying," said Albert E. Felsted, advertising manager of these banks.

"Last fall a window was arranged of a farm, including house, barn, trees, etc., with show cards offering farm mortgages for sale. The window drew immediate attention: in fact the first day that it was in, an out-of-town man walked in and invested \$10,000. Other windows promoted Idaho farm mortgages. Direct stimulation could be traced to them.

*Display Directed Against Fraudulent Promoter*

"A display from which we received much comment, was directed against fake stock promotion schemes. We secured a dozen nicely decorated stock certificates which had been dead horses for a number of years. After pasting strips of paper over the owners' names, we fastened them to a large placard, surrounding Mark Twain's well known 'July is a particularly dangerous month for investors—so are June, January, etc. etc.' Other printed matter on investments—safe and unsafe—was displayed.

"Recently our institution was a participant in a large issue of local telephone company stock. The telephone company

assisted us with material that made a very wonderful display, and aided considerably in the sale of the bonds.

"And this last July we had an interesting anniversary display consisting of two candelabra of ten candles each—the candles graduated in size to represent the growth of our institution from July 1916 to July 1925. One candelabrum represented deposits; the other resources. The candles were electrified, and burned day and night. Two caption cards told our story."

In Pratt, Kansas, a town of 4000, Ieland Scrogin, vice-president of the First National Bank, regards his window as one of the best ways of telling Pratt folks his bank is genuinely interested in what others are doing.

"We started to use window advertising with the bank's twentieth birthday," he told

the writer, "when one of our Greek customers presented the bank with a birthday cake. This cake in the window drew so much attention that a Mother's Day display followed; then a gold tournament window, and whatever is doing in our vicinity is given a glad hand in our window.

"Of course we are limited to available properties but our customers have offered much interesting material. So our cost is small, being little beyond the caption cards."

*Using Window to Exhibit Contest Prizes*

Percy Montgomery, advertising manager of the First National Bank of El Paso, Texas, says: "Our large corner window is used for displays. The other ten windows are dressed up with well framed posters. Perhaps our strongest pulling display was that which ex-

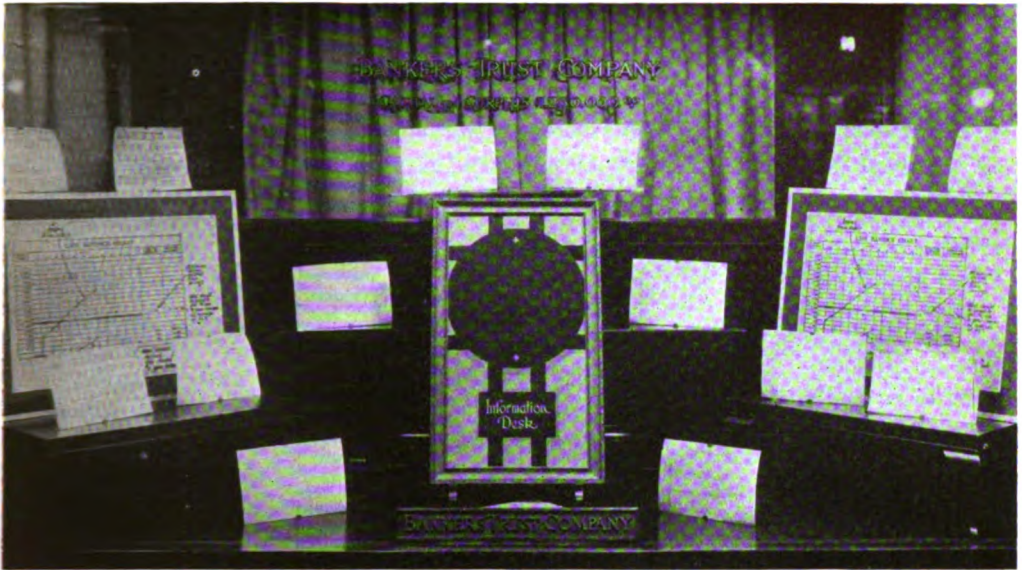
hibited the fifty prizes given away at the close of our Public New Account Contest, which consisted of gifts ranging from a tennis racket up in value to a Ford Sedan, which latter was on the bank floor in view through the window. This display was good for the three months of the contest. Ordinarily the window is changed every two to four weeks."

"We have five windows," says Dudley Winston, vice-president of the Louisville National Bank of Louisville, Ky., "and feature one subject at a time in all five.

"Upon the occasion of the bank's sixtieth birthday, a huge cake was displayed in the center window—not a real cake, but one made of plaster of paris, but it had sixty real candles. The display card was headed, 'March 1865—sixty years young—March 1925,' and then went on to invite our



A touch of humor is put to very appropriate and effective use in this highly original investment advertisement of a Knoxville, Tenn., bank.



Window display of a Denver, Colo., bank, designed to arouse interest in and to gain added distribution for a so called "Life Savings Chart" published by the bank.

friends to come in and visit us during the month of March, whether or not they had business to transact. And those who opened savings accounts during that month, shared in \$75 prize money, given away."

J. V. Holdam, assistant trust officer of the Chattanooga Savings Bank, Chattanooga, Tenn., says: "Our window advertising develops the human interest contact in a much easier manner than can be done with any other form of advertising."

#### *Displays Giving Familiar Situations Pull Best*

"Our experience is that the displays representing situations that are familiar and of interest to our people, pull best. We change our displays once a week, as it is our experience that after a display has run that long, it begins to get scant notice.

"Right now we are not spending more than \$5 per display, but this is after several years of accumulating properties.

"We also utilize a space over our vault for an inside display."

M. F. O'Callaghan of the Union and Planters Bank and Trust Company, Memphis, Tenn., states that: "In our opinion window displays may be made as productive for banks as for merchants. And it is not expensive. We keep interest displays in our windows at an average cost of \$6 each."

Robert J. Campbell, vice-president of the Fidelity National Bank of Kansas City, Mo., says: "We regard window displays as a very effective medium of advertising for the cost. Our displays average \$8 each. Of course, it involves considerable time and attention to keep something new in the windows, particularly as we use objects, rather than pictures, to illustrate our ideas, even when they feature the bank's capital, resources and directors."

#### *Advantages of Windows as Mediums*

Vera M. Altmeier who is in charge of the windows at

Wells-Dickey Company, Minneapolis, says: "We regard our window advertising as one of several important means of presenting our message because the prospect is at our very door when he sees it; because it is the only medium that allows the use of three dimensions; because a more concrete presentation of a new bond issue, for instance, can be made very quickly whereas a newspaper presentation is delayed on account of plates, etc.

"A novel display which we used recently to advertise a public utility bond was a miniature dam with real water in the spillway and small transmission lines and electric lights. We have also used this piping to make a channel, the caption card tying up with the suggestion that, 'A safe channel for your investments is through Wells-Dickey.'

"As a rule we change our windows every week, as we find that a frequent change keeps people in the 'Wells-Dickey window habit.' How-

*(Continued on page 109)*

## Banking Publicity

RICHARD F. DURHAM, Editor

Monthly Publicity Section

THE BANKERS MAGAZINE

71-73 Murray St., New York

JANUARY 1926

ONE of the largest savings banks in New York has a great deal to say in its advertising about the air of friendliness and hospitality which will be found by anyone entering its quarters. There is nothing unusual about this situation so far as promises go. What is unusual about it is that the bank actually means just what it says—that it actually backs up to the fullest degree its statements about human treatment of customers by officers and employes.

There is at this bank a hard and fast rule, to which no exceptions are permitted, that no employe shall become involved in an argument with any customer of the bank. Employes disregarding this ruling are discharged.

Every bank is pretty sure to have a certain number of customers who are at times going to be highly unreasonable in their requests. There are occasions when a customer's attitude becomes such that it is out of the question for the employe to accept it without taking some action. In such cases as this, employes in the above referred to bank call

immediately, when a given situation gets beyond their power of amicable settlement, upon one of the bank's officers to take a hand in the matter. In this way the customer can usually be placated without any loss of good will. If the customer will not listen to reason from the bank's officer, after the latter has done all in his power to straighten things out, then he or she is very probably a customer of the type that it is better to have off the bank's books, good will or no good will.

A system such as the above, when properly operated, can work to the almost incalculable advantage of a bank's advertising department. The bank advertiser who can talk about friendliness and cordiality in banking with the certain assurance that he is talking about something which exists in fact rather than in fancy, has a tremendous advantage over the advertiser who is never quite sure to just what extent what is promised in the bank's advertising will be carried out in actual practice.

IN considering the various elements that go to make up successful advertising, too much emphasis cannot be placed on the importance and value of mere repetition.

Many a trade mark has come to have a high cash

value, not so much because of its quality of being a particularly good trade mark, but rather because of its wide and constant repetition over a period of time.

As to the question of repetition as it affects advertisements, it is a reasonable proposition that one *fairly* good advertisement repeated every day for a week will often prove of more real value to the advertiser than a *very* good advertisement changed every day over the same period of time. There will be people who during a week's time will miss every one of the advertisements which are changed every day. Some of these same people are going to see the advertisement that is repeated every day during the week. They may not see it the first day, nor the second—but they will see it before the week is out.

THE average advertising manager has his hands full persuading his bank to let him have the minimum amount necessary to carry through whatever program of advertising he has planned for the year ahead. In view of this it seems hardly fair that he should be asked to and on occasions expected to expend money out of the advertising appropriation for purposes that do not, legitimately, fall under the head of "advertising."

Money spent to keep a customer's good will, for space in some medium, or for some novelty that has no advertising value to the bank is not advertising, although there may be times when it is good policy.

Many banks do have, and more banks should have a fund, apart from the advertising appropriation, which is set aside to be devoted to the miscellaneous expenditures which the advertising department is called upon to make and which bear no relation to the advertising program. It is only by adopting some such procedure as this that the advertising department can hope to do justice to the appropriation which has been allotted to it.

### Bank Windows of the South and West

*(Continued from page 107)*

ever, when a new bond issue breaks, we put it in the window at once, regardless of how recent the last display was put in.

"We attempt to keep the cost of one window down to \$10, but some have run as high as \$75, and again, many have cost us almost no outlay of cash."

#### *How Long Can a Display Run?*

A. R. Moshier, of the Merchants National Bank of Fargo, N. D., says: "Ordinarily we consider that a window display can run for ten days to two weeks, but displays for special days, like Lincoln's Birthday, can only stand for one day.

"At times we use our window for community purposes. During 'Clean Up Week' our window caused considerable

## Who's Who in Bank Advertising



DALE GRAHAM

Advertising manager Mississippi Valley Trust Company,  
St. Louis, Mo.

**M**R. GRAHAM entered the banking field in 1915 with the Litchfield National Bank of Litchfield, Illinois. He entered the Mississippi Valley Trust Company in 1917 as a stenographer, subsequently became transit manager, manager analysis department, assistant to executives and advertising manager. He has served in the past as president of the St. Louis Chapter of the American Institute of Banking, national publicity chairman American Institute of Banking, member Public Education Commission, American Bankers Association, and member board of directors of the Better Business Bureau of St. Louis. He is at present chairman of the committee on analysis Missouri Bankers Association, member of the committee on analysis of accounts, Clearing House Section, American Bankers Association, and president of the St. Louis Financial Advertisers Association. He is a member of the Missouri Bar.

THE SATURDAY EVENING POST

People are STEPPING INTO BANKS



"SEE," said the banker, "there are no steps from the street, as they do into a store. He was showing in a sketch of his new branch, just opened in a growing section of the city.

It is noticeable that steps and obstructions are disappearing inside the bank too. Old formalities and old customs are being cleared away. People are stepping directly and naturally into the great departments to secure their savings money. Depositors are walking freely over the vaults to have their securities and worries under lock and key! Millions of Americans will never want to go to a bank now as in a matter of course, no longer with courtesy and welcomed with anxiety. They are learning how their banks can serve them. They are rushing that

these specialists in finance are ready with sound advice and sound counsel. For the banks have been telling people about the advantages of their wisdom of investments, the security and happiness that spring from a well-planned financial program. They have pointed out the service that a bank renders and the trust that a good banking connection inspires. In short, the banks have been advertising themselves. And they have been doing it well. Through one of the last big business to join the ranks of the advertisers, the banks have advertised with thought and with skill, in a manner who made the

newspapers may easily see. For just as the bank is almost always the most substantial building in town, so bank advertising is apt to be sound and attractive. And when a manufacturer brings his problems before a bank's officers or directors, he finds that they are already familiar with the power of the printed page. Perhaps a new product must be presented. Or an old product must be sold to new millions. Or perhaps sales resistance and expense are mounting. In any case, the banker is now able to discuss advertising from the standpoint of a user. He knows how it works. He knows when it is needed. He recognizes that good-will is an asset and that advertising is an essential part of modern business promotion.



N W AYER & SON PHILADELPHIA ADVERTISING HEADQUARTERS. PHILADELPHIA NEW YORK BOSTON CHICAGO SAN FRANCISCO

The above advertisement was recently run full page size in "The Saturday Evening Post" by a large national advertising agency. The copy has to do with the changed attitude of banks and bankers toward their customers and prospective or potential customers, as reflected in their every day activities, and also as reflected in their advertising.

"Smooth Sailing with Coupon Interest," a folder outlining the bank's partial payment plan for buying bonds; "Proceeds of the Harvest!" a folder presenting the current list of bond offerings of the bank's bond department; and, "Practical Hints on Making Your Will," an unusually well planned and attractive booklet which includes useful and practical suggestions on the making of a will, and which shows by a system of graphic charts how property is distributed under the laws of Minnesota when no will is left.

All of the above mentioned material is printed in well chosen combinations of colors and is distinguished by excellence of layout, typography and copy.

Recent numbers of "Good Fortune" monthly magazine of the Minnesota Loan and Trust Company bear witness to the human interest value which carefully selected photographs can add to a bank magazine. These numbers contain, as is usual with them, very interesting text matter.

comment. It featured a tiny court room, two policemen, 'Clean Up' and 'Paint Up' having brought before the judge, at the bar of 'Public Opinion,' two disreputable characters labeled, 'Filth' and 'Germ.'

"For the week of the county fair, we displayed a miniature fair grounds with show tents, tiny tractors, trucks, etc., a tiny ferris wheel improvised from two baby carriage wheels, with cut out seats and miniature people as occupants.

"From a financial standpoint, our best window was a Christmas morning scene—a small room with a fireplace, stockings hanging from it, and among the gifts numerous savings banks, neatly wrapped in holly paper.


"We regard window advertising just as important for banks as for department stores."

How Banks Are Advertising

AMONG recent unusually good examples of direct mail publicity published by the Minnesota Loan and Trust Company of Minneapolis, Minn., are the following—"Monthly Statement Savings Plan," a booklet outlining a plan which the bank has put into successful operation and which enables the savings depositor to run his account in the same manner as he pays his monthly bills;

Advertisement for Central Trust Company of Illinois Christmas Club. Includes text: "It's the best Christmas we ever had. Full stockings for the children, a big dinner for the family, money left over for ourselves and a bill to be paid. That's what our \$2.00 a week Christmas Club at the Central Trust has done for us this year. I'm glad we joined for \$5 for 1926. We can pay it easily and what a Christmas we'll have next year." Select your club by the list below and join today. SAVINGS DEPARTMENT. CENTRAL TRUST COMPANY OF ILLINOIS. 115 WEST MONROE ST.—New LaSalle. Members—OPEN ALL DAY—To 8 p.m.


A Christmas Club advertisement published in Chicago newspapers following the holiday season by the savings department of a Chicago trust company.



**What bonds should a doctor buy?**

Read the columns at the right... there and for an Equitable Investment Memorandum.


**THE EQUITABLE TRUST COMPANY**  
OF NEW YORK  
31 WALL STREET



**What bonds should a treasurer buy?**

Read the columns at the right... there and for an Equitable Investment Memorandum.

**THE EQUITABLE TRUST COMPANY**  
OF NEW YORK  
31 WALL STREET



**What bonds should a business man buy?**

Read the columns at the right... there and for an Equitable Investment Memorandum.

**THE EQUITABLE TRUST COMPANY**  
OF NEW YORK  
31 WALL STREET

Three newspaper advertisements of a series which is part of a campaign which the Equitable Trust Company of New York is conducting in behalf of its bond department. The advertisements seek to bring before and to impress upon investors the importance of being measured as individuals whose earning power, ambition, temperament and ability vary greatly, for the investments which they make.

THE travel bureau of the Mellon National Bank of Pittsburgh has published three folders "Voyages to the Marvelous Far-away," "Voyages to the Wonderlands of Old," and "O'er the Seas to Scenes of Splendor," which are descriptive of cruises to various points of the globe that may be arranged for through the bank. The folders contain a number of attractive illustrations in colors which, combined with unusually attractive typography, give them a very inviting appearance.

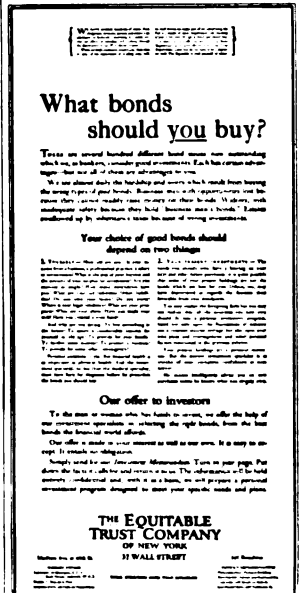
DURING the celebration of its 100th anniversary the First Trust and Savings Bank of Akron, Ohio installed in the lobby of its main office and also in its branch offices exhibits of interesting articles relating to the City of Akron from the time of its founding in 1825 up to the time of the Civil War. The bank obtained this historical material through advertisements which it ran in the newspapers asking for the loan of various articles of historical interest. Among the articles exhibited were: a deed to 150 acres of land in the center of Akron for \$200; a

bell from one of Lake Erie's earliest steamships, brought to Akron and hung in the city's first hotel; the surveying instrument used by General Simon Perkins in surveying for the Connecticut Land Company the ground where the city now stands; a safe with a six-inch key from one of Akron's earliest stores; and a complete file of the first two years of *The Buzzard*, Akron's first newspaper.

THREE booklets recently published by the Cedar Rapids Savings Bank and Trust Company of Cedar Rapids, Iowa, are "Essentials of a Sound Investment Policy" a brief discussion of the important principles of investment; "Safeguarding Your Family's Future," and "Making a Will," two booklets containing information both for those who have made a will and for those who have not yet made one.

THAT a bank house organ need be neither large nor elaborate in conception to be both readable and attractive in appearance is extremely well

demonstrated by "With Interest," a monthly publication of the Vermont-Peoples Bank of Brattleboro, Vermont. This little magazine is only 4½ by 6 inches in size but it invariably contains a great deal of ma-



**What bonds should you buy?**

There are several hundred different bond issues now outstanding which to buy, consider good investments. Each has a certain advantage that we call it a "good" investment for you.

**Your choice of good bonds should depend on two things:**

1. **Read the columns at the right...**
2. **Read the columns at the right...**

**Our offer to investors**

To the man or woman who has no time or energy to offer the help of our experienced specialists in selecting the right bonds, from the best bonds the financial world has to offer, we will prepare a personal investment program designed to meet your specific needs and plans.

**THE EQUITABLE TRUST COMPANY**  
OF NEW YORK  
31 WALL STREET

The first advertisement of the series in the investment advice campaign which the Equitable Trust Company of New York is conducting.



Pride in the Past is of no value unless it is a spur to continued effort.

OFFICERS DIRECTORS

1865 December 8th 1925

### Sixty Years Ago Today

we were granted our charter. The first a separate division of another institution and the bank, operating as a separate unit and enjoying the same of its central period. This faith has been carried, and the bank's history shows that this "banded banner" has been true.

Our capital 60 years ago was \$200,000. TODAY it is \$1,000,000. With a surplus fund of \$2,000,000, we are now in a position to meet any emergency that may arise. Our growth has been steady and continuous. To the 60th anniversary of the bank's opening, we have added a high level of efficiency and a high level of service to our customers.

To you, the thousands whom we are privileged to serve, we extend our thanks for your patronage and cooperation. There are many reasons to thank you for your confidence, and we hope you will continue to give us the opportunity to serve you as well as we can.

Having the highest regard for the past history of the institution, we take the occasion, as we do today, to celebrate our anniversary, to mark and to thank you for the service of a self-governing institution and a greater bank.

**PLANTERS NATIONAL BANK**  
MAIN OFFICE: RICHMOND, VIRGINIA 100 E BROAD  
COMMERCIAL SAVINGS TRUST SAFE DEPOSIT VAULT

#### Steady Growth!

| Year | Assets       | Liabilities  | Capital      | Surplus     |
|------|--------------|--------------|--------------|-------------|
| 1865 | \$200,000    | \$200,000    | \$200,000    | \$0         |
| 1870 | \$500,000    | \$500,000    | \$500,000    | \$0         |
| 1880 | \$1,000,000  | \$1,000,000  | \$1,000,000  | \$0         |
| 1890 | \$2,000,000  | \$2,000,000  | \$2,000,000  | \$0         |
| 1900 | \$5,000,000  | \$5,000,000  | \$5,000,000  | \$0         |
| 1910 | \$10,000,000 | \$10,000,000 | \$10,000,000 | \$0         |
| 1920 | \$20,000,000 | \$20,000,000 | \$20,000,000 | \$0         |
| 1925 | \$30,000,000 | \$30,000,000 | \$30,000,000 | \$2,000,000 |

An anniversary advertisement run full page newspaper size by a Richmond, Va., bank.

terial which is both well presented and readable. Its attractiveness is very much enhanced by the discriminating use of very good photographs which have a strong human interest value, particularly to readers residing in or near Brattleboro.

THE Chase National Bank of New York, has recently published two folders on corporate trust service entitled "Maintaining the Value of a Business Man's Estate," and, "The Importance of Trust Service to Executives of Corporations."

TWO interesting folders recently published by the Equitable Trust Company of New York are, "The Modern Method of Protecting Charitable Bequests and Assuring Their Constant Usefulness," and "Lost Wills." In each of

these folders the bank has made a very appropriate tie up between newspaper clippings which are reproduced in the folders and the copy which the folders contain.

THREE very well prepared investment folders, "The Future of Bond Prices," "The Importance of Underlying Bonds," and "And What of the Market," have recently been published by Morris F. Fox & Co., investment bankers of Milwaukee, Wis.

THE Grosvenors," "The Allens," and "The Jumels," Vols. 3, 4 and 5 of the interesting "Romantic Fortunes of History" series of booklets published by the Bank of America, New York, have recently been issued by the bank.

### Friendly Banking in 18 5

IN a most interesting and attractive volume issued by the Merchants National Bank of New Bedford, Mass., to commemorate its one hundredth anniversary, the author, Zephaniah W. Pease, relates an incident to prove that banks were not without sentiment even back in 1855.

A certain client, whose name is not mentioned, had been involved in financial difficulties at one period and had been much disturbed at the thought that the bank had been a loser in the transactions.

This letter was accordingly sent to the client, signed by the cashier on behalf of the directors:

Dear Sir: It has been intimated to the directors of this bank that you continue to feel resting upon you the responsibility of certain pecuniary obligations which, during the embarrassments and mis-

Saturday Afternoon Shoppers

—who enjoy the privilege of banking at the Franklin Trust Company are always able to meet unexpected Holiday demands for ready cash.

The Franklin Trust Company's main banking building is at Fifteenth and Chestnut Streets in the center of the city's busiest district, and is open, not only on Saturday afternoons, but every day in the week 'til midnight daily.

Capital and Surplus \$3,750,000  
Resources . . . over \$50,000,000

**FRANKLIN TRUST COMPANY**  
Southwest Corner Fifteenth and Chestnut Streets

First Office: 1855  
Head Office: 1868  
Philadelphia, Pa.  
Franklin Ave. and South St.  
Branches: 100  
Assets: \$50,000,000

A well worded advertisement of a Philadelphia bank, directed at a particular group of banking prospects.



**Our NEW Office**  
At Broadway and 73rd St  
**Opens Today**

Our new five story building on the southeast corner of 73rd Street and Broadway is open today. This is the most magnificent building ever in mid-Manhattan. The new building is a masterpiece of modern architecture. It is a landmark in the neighborhood since 1917.

These magnificent banking, trust and safe deposit facilities as well as the services of an enlarged staff are now available to business and pleasure users of the Atlantic. A handsomely appointed department, including a comfortable reception room and separate waiting parlors, is provided for the exclusive use of women customers.

Officers and employees thoroughly familiar with the methods that direct are made and willing to handle your business accurately and promptly.

You are cordially invited to call.

**UNITED STATES MORTGAGE & TRUST COMPANY**  
Broadway at 73rd Street  
New York City

Other Offices:  
Atlantic City, N. J.      Boston, Mass.  
Philadelphia, Pa.      New York, N. Y.

The unusual border design of this advertisement of a New York bank, announcing the opening of a new office, enables the reader to get at a glance a good mental picture of the bank's location.

fortunes of former years remained to some extent in liquidation.

The board regrets that you have allowed these claims, long since cancelled and nearly forgotten, to have disquieted you for one moment.

While the feelings and assurances which you have expressed in relation to them are highly creditable to you, and have served to increase your claims to the respect and regard of the managers of our institution, they wish you fully to understand that under no circumstances could they regard you as their debtor, or be induced to receive from you a pecuniary consideration on that account.

The whole debt is cancelled—not only by the agreement of the parties solemnly entered into at the time—not only by the lapse of years which has taken from it all its legal character and almost driven it from memory—but by the renewed and highly satisfactory relations which at this time subsist, and have for a long time subsisted, between you and our institution.

It is to impart to you this assurance that I place in your hands this communication.

Our board are unwilling that you should for one moment sup-

pose that, under the circumstances of our existing friendly and business relations, any thought of a pecuniary obligations on your part rests upon their minds.

They have rejoiced in your prosperity and it has been gratifying to them to see the evidences of it furnished by the large and increasing business transacted with our institution.

(Signed) JAMES B. CONGDON,  
On behalf of the directors.  
Nov. 13, 1855.

**A**MONG the more striking Christmas covers on bank house organs may be mentioned those of "Number Eight" the monthly house organ of the National City Bank of New York, and "Trade Winds" the

monthly magazine of the Union Trust Company of Cleveland. Covers on the Christmas numbers of both of these publications were executed in colors and with unusual skill and attractiveness.

**A**N ingeniously arranged little folder on wills and settlement of estates, entitled, "I Have Been Wondering," has recently been published by the First National Bank of Boston. The copy in the folder is very readable and the folder itself is very presentable both from a standpoint of typography and arrangement of copy.

## A Clearing House for Human Problems

If you still cling to the old-fashioned notion that banks are "cold and impersonal," you should hear some of the problems that customers bring to officers of the Wachovia.

It is not our business or our wish to advise customers on *personal* problems. But frequently our disinterested advice on *money* problems indirectly helps to solve the other kind.

Men and women, young and old, are discovering in increasing numbers that the Wachovia is truly "a family bank," where confidences are respected and friendly assistance on money matters is available for the asking.

Come in whenever you feel like "talking things over." Perhaps an officer of the Wachovia can suggest a way to solve your problem.

# WACHOVIA

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### Worth Her Height in Dollars



The young lady in this picture is standing in the lobby of the Union Trust Company of Cleveland being measured for her height in terms of silver dollars. She is Miss Marie Callahan, a dancer in the musical show "Kid Boots" and she is \$598.50 tall. She is under contract with Florenz Ziegfeld, the well known theatrical producer. Mr. Ziegfeld said to Miss Callahan: "I'll gamble with you. I don't know how tall you are, and I don't know how thick a silver dollar is, but I'll pay you weekly an amount equal to the number of silver dollars, one piled on top of the other, equal to your height." And here is where the bank stepped into the picture. Sensing the news value of this unusual incident, the bank had a photograph taken which was published in its weekly house organ "The Teller."

### Who's Banking?

**A**RTHUR BRISBANE, editor of the Hearst publications, although now one of New York City's largest indi-

vidual holders of real estate, at one time was quite as susceptible to the journalistic stringency as some present day cub reporters. He tells this story on himself:

"After I had been working as a reporter on the *Sun* for some time, it occurred to me that the proper thing to do, if I was to attempt a successful career, was to start a savings account against the time when lucrative opportunities for investment should arise. I managed to scrape together the sum of \$100 which I deposited in the banking institution with whose president I often came into contact. Before much time had passed, my account had become overdrawn more than once. One day I met my friend, the president. 'My boy,' he said, 'would you mind informing me just what our relations with you are? Are you banking with us, or are we banking with you?'"

—*Wall Street Journal*

### A Job With a Good Future Behind It

**A**n office boy was asked by a dapper young man if there was an opening in the firm for a college graduate.

"No," replied the office boy, "but if I don't get raised to \$3.00 a week there will be."—*Selected.*

### Try Pulling Down the Shade!

**V**ICE-president to advertising manager: "Say take out that window display."

Advertising manager: "What's the matter?"

Vice-president: "Why, you've got the sidewalk in front of the bank all cluttered up with a mob of people! We can't have that. It attracts too much attention."—*Albany Chapter (A. I. B.) News.*

### Thoughtful Precaution

**A** WOMAN went to the bank and asked for a new check book. "I've lost the one you gave me yesterday," she said. "But it doesn't matter. I took the precaution of signing all the checks as soon as I got it—so, of course, it won't be any use to any one else."—*The Efficiency Magazine.*

### Unexpected

**F**ATHER: Great heavens, Son, how you do look!

Son: Yes, father, I fell in a mud puddle.

Father: What! And with your new pants on, too?

Son: Yes, father, I didn't have time to take them off.—*Whirlwind.*

### Quarterly Dividend

**O**LD Lady: Son, can you direct me to the People's Saving Bank?

Boy: Yessum, for a quarter.

Old Lady: Isn't that mighty high pay, my boy?

Boy: No ma'am, not for a bank director.—*The Combination.*

### A Bird in the Hand

**T**HE Scotch are still a careful and conservative race; they can see no reason for taking unnecessary chances.

Macdonald Smith had just come to the seventeenth green at St. Andrews, the old St. Andrews. Mac saw an old Scotchman he had known for many years.

"I've brought you those golf balls over," Mac said to the Scot.

"I'll tak' them noo," said the Scot.

"I'm sorry," replied Mac, "but they're at the hotel."

"Then I'll tak' what ye hae in your bag."—*New York Herald Tribune.*



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### BRUCE BARTON

**W**HEN he was 15 years old, Bruce Barton was the entire reportorial staff of his home town weekly paper, at a salary of \$3 a week. When he entered Amherst, he put journalism behind him (so he thought) to become a teacher of history. He got a fellowship at Amherst and another in Wisconsin. He was prepared to take the latter, when, as he says, "A man named Chapman wrote from Lake Geneva that I ought to take a year of business, working on his paper, before going on to a P. G. course." He took the offer, and has never been able to get very far away from a printing press since. Later, he came to New York in charge of the book selling business of "Collier's" under Conde Nast. From there he went to the Crowell Publishing Company as editor of a Sunday magazine supplement, and later as editor of "Every Week." The war came, "Every Week" was a "casualty," and Mr. Barton took a publicity job with one of the relief organizations. At the close of the war, with two of his department heads in publicity work, he formed the advertising firm of Barton, Durstine & Osborn, which stood twenty-third in the amount of business done in 1920, and fourth in 1925. In addition to his advertising work, Mr. Barton writes occasional articles for "The Saturday Evening Post," "The American Magazine," "Good Housekeeping," and many other like magazines. His most recent achievement is "The Man Nobody Knows," which is the best selling non-fiction book of the year.

# International Banking and Finance

SPECIAL

**BANKERS  
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The two offices of The Equitable in London assist in financing the ever-growing export and import trade between Great Britain, her Colonies, and the United States; and serve the ever-increasing number of American visitors to London.

The main office is in the heart of the financial district at 10 Moorgate, E. C. 2, and near the Bank of England. The second office is in Bush House, near the shopping and hotel districts.

### In Paris

The Equitable in Paris is one of the largest banks in that city. During the past two years, it has ranked from twelfth to fourth in clearings in the Paris clearing house. Its convenient location, 23 Rue de La Paix, has made it extremely popular with continental travelers and its conscientious, painstaking service has steadily increased its patronage. In addition to the various departments of a modern bank and trust company, the office maintains a separate department for women and a special travel service bureau.

### In the Far East

The Equitable Eastern Banking Corporation is a subsidiary of The Equitable Trust Company with offices at 37 Wall Street, New York, Kiukiang Road, Shanghai, and Queens Road, Hong Kong. Its officers are officers of The Equitable Trust Company.

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# Are the Mists Lifting in Europe ?

By Frederick W. Gehle

Vice-president the Mechanics and Metals National Bank of New York

The author of this article has for some years been widely recognized as a keen student of economic affairs, both in this country and abroad. He recently returned from a trip of several months' duration abroad, during the course of which he visited England, Germany, France, Belgium, Switzerland and Holland. This article sums up the conclusions which he has drawn from careful observation of the trend of conditions in these various countries.—THE EDITOR.

**B**ECAUSE Europe means so much to our social and economic life, every American is intensely interested in the progress which that continent is making in its climb out of the valley of its war-time adversity. More Americans visited Europe in 1925 than at any time before, and the array of their optimistic views on their return was particularly impressive in the light of the contrary views of three and four years ago.

Yet all the views even now are not unqualifiedly optimistic; some, indeed are quite doleful. All of us do not see world affairs through the same glasses. The sombre type of person, the analytical or the care-free, all have the opportunity to see the same things; because of the methods of adjusting their vision, however, they often come to widely varying conclusions. Thus, while so many American travelers have brought home from Europe the cheering view that the continent is moving steadily up the hill toward the sunshine of its old-time prosperity, others bring home warnings against counting too much on hopeful signs. For example, one recently returning American, an able observer whose views always command earnest attention, said:

The ghastly spiritual and physical wounds of the war are more manifest to an outsider than they were in 1919. In nearly every European country the people impressed me as being unhappy, resentful and restless. Everyone seems to be groping in the dark; whatever is tried the people wish they had tried something else. The attempt to get the wheels of trade and commerce turning once more is proving beyond ques-



FREDERICK W. GEHLE

Vice-president Mechanics and Metals National Bank, New York, who recently returned from a several months' trip abroad, during the course of which he visited most of the leading European countries.

tion the splendid heroism and wisdom of Europe's leaders.

## *A Conflict of Honest Views*

The man who expressed the above sentiments has viewed Europe through his own glasses and believes beyond doubt that he has correctly interpreted conditions. He believes sufficiently in what he has seen, to add in his statement that "unless saner ideas are substituted for those governing the old world now, Europe will suffer a social explosion more destructive than the war itself."

There is one honest view. Set against it are others equally honest, but of an entirely opposite tenor. Secretary Mellon, for example, to quote from his annual report sent to Congress on De-



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## BUILDING

**S**MALL homes and mammoth apartments, single shops and thirty-six story office buildings, little factories and acres of additions, retail stores and theatres continue to appear in Detroit.

\$200,000,000 was the actual value of building in Detroit in 1925 according to permits issued.

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ember 11, referred to developments which, he said, "lend support to the optimistic view regarding the rehabilitation of Europe."

Differences of opinion warrant examination of the underlying forces which are directing Europe at the present time. Briefly, what are those forces? They are both good and ill—they must be if one set of capable observers sees and interprets them for good and another set, equally capable, sees and interprets them for ill.

### *The Forces of Ill*

Let us consider first the forces of ill. They are alike social and economic; unhappy and restless people are curtailed in their production and trade. They still suffer the effects of a war which was like "a crashing shock of planets that sent the earth rocking and reeling out of its course." It took 10,000,000 lives, scattered wealth accumulation and changed peoples, frontiers, politics, business and finance. Europe in the war suffered so much that its moral let-down was great; it sacrificed so much that the impairment of its material welfare was enormous. Recovery under the best circumstances could only have been painfully slow. But circumstances have not been of the best. Europe does not consist of a single national unit; it is a continent of 300,000,000 people living in thirty or forty separate countries, none of which are alike and none of whose war legacies were alike. Location, wealth and temperament have all played their part in making the difficulties of each country different from those of the others.

Many difficulties have not been overcome. In England the unemployment of a million able-bodied Englishmen and adverse foreign trade balances are visible signs of that. In France, the depreciation and instability of currency are measures of difficulties there. Germany is short of working capital and commercial credit; high money rates, curtailed industrial output, and shrunken exports are evidence of her shortcomings. Italy, Belgium, Austria,

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Russia and all the rest—one could enumerate for each various conditions that mark the peculiar difficulties of those countries.

### *Instability of the Populations*

Underlying all of Europe's economic difficulties, there has been found one common contributing cause; namely, the social and political instability of the populations. Looking back, it is seen that much of Europe's misery in the years succeeding the war was wholly because peace-time events failed at once to turn the flow of life which from 1914 to 1918 had been in the wrong direction. War having been one kind of disorder, peace for a long time proved to be another. Peace failed at once to destroy the war hate, and for a long time failed as well to restore that good will and understanding which among nations is essential to the realities of peace. Na-



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tions which were allies in the war ceased after 1919 to submerge themselves to one another for the benefit of the whole. National ambitions reasserted themselves violently after 1919, as each individual came to center his efforts less on the welfare of others and more on the welfare of his own nation, his own neighborhood, his own family, his own care. The breakdown of unity came as those who won the war together sought to enjoy the fruits of victory apart. "To the victors belong the spoils," yet the effort to gather the spoils of the late war was followed by agitation, experiment, controversy and sinister intervention, and unhappiness and hard times were the lot of Europe so long as the spirit of self-service and national consciousness drew people apart.

### *The Forces of Good*

Europe's suffering is to be laid in no small part to its peace-time lack of both vision and tolerance. In considering now the forces of good, therefore, it can be said emphatically that the most important of those forces is the return of vision and tolerance alike, for it is that which has made possible the operation of all the others. Old flames of prejudice, suspicion and self-materialism may not be wholly quenched—the depressing statement quoted at the opening of this article shows that—

but they have died down, with inevitably logical economic results. There is solid proof to support a statement that people abroad have on the whole turned away from embittered animosities and are addressing themselves to the future in a constructive spirit. Simply the belief that there is no prospect of war in Europe for years to come—a belief based on the fact that people are heartily sick of war and on the further fact that there is no money for it—has had a tonic effect on industrial and trade relations, and whole populations that not long ago were steeped in an atmosphere of hostility and recrimination are dealing with one another again.

Many incidents came to my personal attention during the last summer and autumn to confirm in my mind the truth of this statement. Germans and Frenchmen alike, whom I met in their homes and places of business in 1922 and who then were almost incoherent in their angry denunciation of one another, in the fall of 1925 in my presence calmly laid out peace-time plans for their mutual benefit, resenting any intrusion of war talk.

### *The New Social Spirit*

The effect of the new social spirit in Europe has had its inevitably favorable economic results. Taking the

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continent as a whole, production is larger than at any time since peace was restored. Trade has improved. Capital and credit have grown in supply. Budgets are being balanced. In a dozen countries the gold standard has been restored. The currency systems of nearly all the smaller powers have been reorganized. Debt controversies are being settled. The flow of life is running in the right direction.

In the foregoing paragraphs I have given, briefly and altogether inadequately, a summary of the forces that govern current affairs of Europe. Those forces responsible for whatever unhappy conditions exist are very definite and very tangible; we can be sure they will not be blown away on the winds of a single night. France must undergo painful readjustment. Germany must labor hard and save as it makes its way slowly up the road of its redemption.

Russia must completely change its ways. England must overcome its economic disorder, re-establish its trade and return its idle men to work.

Those blue-spectacled observers who consider only the misfortunes which came out of the war will take a pessimistic view of the capacity of the various countries to do what they need do to restore themselves to the old plane of social and economic happiness. Some still go even so far as to look for the ruin of Europe's civilization. Those others who consider the power of right moral qualities and intelligent direction will take the hopeful view and will note that Europe even now is recovering. Germany, which was considered up to two years ago Europe's vanquished and bankrupt nation, is a nation at work, aiming toward not only a well-being but an intelligent and happy social structure. England is striving valiantly to set itself on the road to its old-time prosperity. France is at last conducting its affairs in the light of an understanding which recognizes more clearly each day the steps necessary for its recovery. Even with respect to Russia the course of events at least warrants the hope that the time is not far distant when that country will add its part to bringing about the full recovery of Europe.

### *England's Economic State*

Of course, when one delves beneath the surface and examines the situation of each country critically, he finds many

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things that give concern regarding the internal welfare. England's economic condition falls far short of contributing to the unalloyed happiness of that country's population. More than 1,250,000 able-bodied people there are idle; the dole system takes \$10,000,000 every week out of the pockets of the employed wage-earners and turns it over to those who are out of work; the country's merchandise imports are so much greater than exports that England is acknowledged to be drawing on its capital to maintain its present standard. France, having too long followed the will-o'-the-wisp of credit expansion and currency inflation, in anticipation of great indemnity payments, finds its government finances so weakened that the most drastic steps must be taken to save the financial situation. Germany's working capital is restricted to such a degree that many small industries within the country, products of the period of inflation, are finding it impossible to proceed, and are being eliminated.

Still, in the face of manifold difficulties, it is possible to view the prospect hopefully. England is not on the verge of ruin as some of our most pessimistic observers would have it. Its position is vastly different from before, and the new condition has so many difficulties and heavy burdens that there is not in prospect an early return of the old luxury and reserve of wealth. But England is bound to regain a measure of prosperity that will enable it to support the obligations imposed upon it. The same is to be said of France, for, after all, the troubles of that country are almost entirely in the matter of the government's finances; the people themselves are strong and busy, and their economic position is good. Germany, only two years ago occupying the role of Europe's vanquished and bankrupt nation, is right now giving evidence of what can be done when stability is restored and individual initiative encouraged. In no country is there in prospect an early or exact restoration of all that has been lost, yet in their in-

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ternal welfare, as well as in their relations with one another, it is possible to see much that warrants encouragement over the outlook.

### *The Locarno Agreement*

It bears to be repeated that the changing moral qualities are by far the most important of the present forces of good abroad. The recent Locarno agreement offers the most outstanding evidence of the improvement that has occurred; that agreement revealed to the civilized world the extent to which Europe has advanced toward a stable balance of power. Granted a maintenance of stability and international good-will, progress will come as a matter of course, slowly and painfully, but definitely, because it will be inspired by mutual confidence among tens of millions of capable, technically skillful and highly civilized people who until recently were distraught by jealousies, animosities and fears.

The American people, with an interest in the social as well as the material welfare of civilized nations, will fervently hope for Europe's full recovery and energetically help, so far as they are able, to bring that about. After all, speaking in a strictly business sense, the old world is now more intimately related to our western hemisphere than ever before, through the tide of trade and credit that has flowed across the sea in the last decade. For scores of years European influence contributed to the upbuilding of this continent, and Europe proudly pointed to America as the land which she had discovered and directed into the current of normal life. The influence is now reversed; the people whom Europe once nourished and fashioned in her image have taken on a new role, and are today nourishing Europe and serving her. Consequent upon all that has taken place in the fields of commerce and finance, America has come to have a fi-

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## Review of Countries

### Great Britain

**T**HE action of the Bank of England in raising its rate on December 3, last, from 4 to 5 per cent. was favorably greeted in London business and financial circles, and has been widely commented on both in Great Britain and abroad. The *London Times* of December 4 said editorially, regarding the rate change:

The raising of bank rate yesterday from 4 to 5 per cent. brought welcome relief to the business world. For weeks past the money market has suffered from a great uncertainty about the course of monetary events, and fear of dearer money had lately grown to such an extent as to prevent the Treasury from selling the requisite number

of bills to meet the Government's financial needs. In consequence, the Government found it necessary this week to obtain a larger overdraft from the Bank of England with which to pay the December dividends, amounting to nearly £50,000,000, on War Loan, than would otherwise have been required. Further, the bank has lost gold steadily since the bank rate was reduced from 5 to 4½ per cent. on August 5 and later to 4 per cent., the efflux to date amounting to nearly £19,000,000. So great an outflow, coupled with the increase in the bank's liabilities from Government borrowing, has brought its proportion of reserve down from 31¼ to 16 per cent. Not since the restoration of the gold standard has the proportion fallen so low. To have prolonged the uncertainty hanging over the market would have prejudiced the sale of Treasury Bills



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this week, and thus extended the inflation of credit which the Government overdraft at the bank necessarily created.

Yesterday's decision of the bank court was received, therefore, with remarkably little criticism. It was a case not of the bank, in the exercise of its discretion, forcing a high rate upon an unwilling market, but of the bank adapting itself, apparently with some reluctance, to circumstances over which it had no control. It frequently happened in the years before the war that in the autumn, when an outflow of gold is usual, bank rate was raised to 5 per cent. Borrowers therefore may congratulate themselves on being so fortunate as to have been able to borrow on the basis of a 4½ and later of a 4 per cent. bank rate throughout the autumn in the first year of the return to gold. This has meant a substantial saving to the Treasury and to traders, an advantage which very few anticipated in April, when the return was made. Among the causes which have brought about the large outflow of gold have been stock exchange speculation in America, which led to a raising of money rates there, and the rise in the price of rubber, which has given

Holland and the Dutch East Indies and Malaya the power to take substantial amounts of the metal. Moreover, this country has not received such large amounts of gold from South Africa as she would have received had the Union Government not decided to put gold into circulation once more. For these reasons the raising of bank rate has already been heavily discounted, and its effects will be the smaller in consequence.

### *New York's Comment on Rate Change*

New York's comment on the raise in the Bank of England's rate is reflected in the *New York Times* of December 5, which says editorially:

It is only because of the somewhat unusual circumstances surrounding its action that Thursday's advance in the Bank of England discount rate attracted wide attention. The rate is traditionally apt to be raised in the autumn, when demands on credit always increase, and a 5 per cent. rate is not exceptionally high. The bank maintained that rate or a higher one uninterrupted from July, 1914, to February, 1922, and 5 per cent. was fixed in October or November during six of the eight years immediately preceding the war. When the Bank of England was preparing last spring for the resumption of gold payments, it raised its rate from 4½ to 5, expressly to facilitate gold imports.

By August, however, financial London had become convinced that the success of the gold-resumption policy was insured and, at precisely that moment, the plea was urgently made from business circles that easier money was needed to help depressed British industry. The Ministry is believed to have joined in that recommendation; as a result the Bank of England's directors, whether in line with or against their personal judgment, lowered the rate to 4½ per cent. and then to 4. Partly because the country's trade inactivity made outside use of credit relatively light, but largely because of the bank's action, open market money rates at London, which between April and midsummer had been appreciably higher than at New York, declined more than 1 per cent. below parity with Wall Street. Large American balances, which had been loaned out in London earlier in the year because of the better rate, were called to New York. The resultant heavy transfers in exchange, coming at a time when London was paying for its autumn import of produce from America, forced down sterling and started a large gold-export movement.

These shipments, to New York or elsewhere, not only absorbed all the gold sent

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to London from the Transvaal but drew on the Bank of England's gold reserve, between August and this week, to the extent of £18,800,000, or actually 11 per cent. of its total gold holdings as of August 5. That reserve, indeed, is now £10,000,000 less than what was reported even in the week of April when gold payments were resumed. The bank's advance of its rate from 4 per cent. to 5 last Thursday means that, so far as it can control the London money market, it will force up that market's rates, making the bank's own position the first consideration. This action, with the circumstances under which it was taken, leaves it debatable whether last October's reduction to 4 per cent. was a mistake or not. Most people will probably think it was.

The actual result of the altered policy is also more or less in question. At Washington and in some financial circles, the prediction has been made that the 5 per cent. rate will so far reverse the course of sterling exchange as to turn the gold movement from New York to London. That remains to be seen. A radical change is at least made probable by the fact that sterling traditionally moves in London's favor after the year-end. It will also be favored by the retention of its 3½ per cent. discount rate

by the New York Reserve Bank, although all other banks in the system have gone to 4 per cent. and although the London and New York bank rates are apt to move simultaneously. Meantime it should be observed that, even when the Bank of England's loss of gold was heaviest recently, there has never been any doubt expressed in well-posted financial circles about the maintenance of British gold payments.

## Germany

IN the concluding section of his report to the Reparations Commission on the workings of the Dawes Plan during its first year of operation, S. Parker Gilbert, Agent General for reparations payments, is quoted as saying:

The adoption of the experts' plan by agreement between Germany and the allied powers represented a decision in favor of a rational settlement of the reparations problem and an election at the same time in favor of all the peaceful reconstruction of Europe. The experts themselves in concluding their report had said that "the reconstruction of Germany is not an end in

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itself; it is only part of the larger problem of the reconstruction of Europe." In considering, therefore, the progress of the plan it is appropriate to think of it in relation to the general problem of European reconstruction, as well as in terms of the rehabilitation of Germany.

From the point of view of German reconstruction it is already clear that the plan marked the determining point in the recovery from the disorder and disorganization of inflation, and that developments since its adoption are to be estimated in terms of the part they have played in readjustment to stable conditions and the restoration of German economy to a productive state.

It is clear, also, that the road to recovery has not been fully traveled and that many difficulties remain to be overcome. At the same time it would be wrong to overlook the progress that has already been made under the plan. To appreciate this sufficiently one must think back to conditions as they were before its adoption and remember the fog that enveloped the whole situation before the plan went into effect.

The plan realized during the first year

its two essential preliminary objects; that is to say, a balanced budget and stable currency. Without these it was impossible to look forward to the recovery of German business and industry. The budget, in fact, has been rather more than balanced, and for the time being at least the Government has instead, and on a unique scale, the reverse problem of the wise management of public funds. As for the currency, its stability has been fully maintained according to both internal and external standards, and buyers and sellers alike have again been able to do business with the assurance that stability implies.

Side by side with the achievement of these two objects, the output and distribution of goods, according to available figures, have considerably exceeded the experience of the immediately preceding years and begun to resemble those before the war. At the same time German business and industry have found themselves confronting the double problem of replenishing their working capital and remoulding their organizations along lines that the changed conditions require.

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In some industries this has meant conditions approaching a crisis which must properly be regarded as the inevitable basis of the return to stable conditions and as marking a further stage of readjustment.

From the point of view of reparations payment the plan has brought order into the management of the problem and assured determination by actual experience of the reparations that can be safely paid and transferred. Under it payments and deliveries are moving regularly to the creditor powers and in accordance with expectation.

From its beginning, moreover, the administration of the plan has gone forward on the basis of mutual faith and confidence and the Allied Governments, the German Government and all the various agencies concerned in its execution have worked together to carry out the plan in the spirit in which it was conceived.

### *A Test of Germany's Ability to Adjust Herself*

In a copyright dispatch from Berlin to the *New York Times* on December 13, last, Lincoln Eyre says in part regarding the reparations report that:

The present report is the second of a general character sent to the Reparations

Commission by Mr. Gilbert, the first having been issued on May 30 last and having concerned the plan for the first eight months of operation. The Dawes program started functioning officially on September 1, 1924, but attained "full force and effect" only two months later.

Emphasizing the wholly satisfactory results of the first year, Mr. Gilbert says this period has been "not so much a test of German capacity to pay as a test of the ability of German economy to adjust itself to a return to stable conditions."

Recalling that the initial annuity of 1,000,000,000 gold marks payable up to September 1 last was paid in full and divided among the creditor countries according to allied agreement, the Agent General points out that the second annuity year now in progress involves for the first time a possible charge on the German budget totaling 500,000,000 marks. This amount, however, is expected to be covered, he remarks, through the transfer to the Reich of German railway bonds of equivalent value. Hence in his opinion the annual payment to the Allies, aggregating 1,220,000,000 marks during the coming ten months, is assured. Interest on its bonds is being met monthly by the railway company, 50,000,000 marks having been paid in to the Agent General's

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account in October and November. The German Government is also paying 20,000,000 marks monthly out of its budgetary funds.

Dealing with the distribution of the first annuity, Mr. Gilbert observes that the bulk of the payments has been made in reichsmarks within Germany, chiefly for deliveries in kind. Discussing the share assigned to the United States for "American claims on account of the American army of occupation and awards of the mixed claims commission," he states:

"The share of the United States in the first annuity amounted to about 15,328,000 gold marks. Up to this time no part of this share has been utilized by the United States Government and it remains to the credit of the United States on the books of the Agent General."

Under the Spa convention percentage the lion's share of the year's receipts, 454,000,000 marks, went to France. Of this sum France gets 136,000,000, or about 30 per cent., for her Rhine army alone. The French balance with the Agent General amounts to 23,000,000 marks. Britain and Belgium devoted only about one-sixth of

their respective shares to their occupational forces.

The report affirms that "it has been possible from the outset to administer the annuity in accordance with business principles" and adds that the system of monthly adjustments will be continued as far as possible in the second year, the Reich's instalments totaling at least 90,000,000 marks.

The Agent General prides himself that the administrative expenses of his organization have been only 3,700,000 marks, or four-tenths of 1 per cent. of the fund administered.

## France

**V**ARIOUS recent financial proposals of both an official and an unofficial nature, looking to the end of stabilizing the franc, increasing the revenue and redeeming the public debt, are contained in a current survey of European economic and political conditions, published by the Reference Service on International Affairs of the American Library in Paris. The article discussing these French financial proposals reads as follows:

The period between the departure of the French Debt Commission from Washington on October 2 and the maturing on December 8 of 1922 Credit National bonds to the amount of 10,090,088,000 francs has been, and, in the opinion of the French press, will continue to be rife with proposals, official and unofficial, with a view to increasing the revenue, redeeming the public debt and stabilizing the franc.

One of the first of these financial programs emanated from the radical congress of Nice, at which M. Painlevé, M. Caillaux, and M. Herriot were among the speakers; and the Socialist proposal of a capital levy was the chief subject of debate. Before adjourning on October 17, the congress adopted the following resolution:

The fiscal doctrine of the radical and radical-socialist party is based upon three essential principles:

1. Predominance of direct over indirect taxation, since the latter bears heavily upon the consumer.

2. Progressive taxation.

3. The necessity, for the financial relief of the country, of a special contribution from all forms of wealth and capital.

### *The Proposal of the "Temps"*

The passage of this resolution was followed within a week by the closing of subscriptions to the 4 per cent. conversion loan. In a special supplement in support of the loan, the *Temps* described the situation and the proposed remedy as follows:

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debt is comprised a floating debt constituted by 55,000,000,000 francs of National Defense Bonds and a short term debt less in amount but nevertheless considerable, represented by Treasury Bonds the holders of which have demanded, or are able during the present term to demand, reimbursement. But a series of events—of which the first was the attack on the franc launched by international speculators toward the close of 1923—have caused increasing demands for reimbursements, which have gradually outstripped new issues and renewals of the bonds. From this have resulted the embarrassments of the Treasury, which have twice this year made it necessary to raise the maximum of advances of the Bank of France to the State.

“As long as this danger continues, the entire budgetary edifice, built up at the price of efforts so courageous, will remain built upon sand. For no fiscal supplementary resource, were it even the famous capital levy championed by the socialists, would suffice to insure even the partial reimbursement of the short term floating debt.

“There exist but three methods permitting the state to surmount this difficulty. The first would consist in new issues of bank notes; i. e., in inflation, fatal to national money and threatening thereby to destroy,

by price increases, the budgetary achievement, hardly completed, to upset the national economy and to provoke a highly dangerous social crisis. The second would be the forced consolidation of Treasury Bonds and the greater part of the National Defense bonds, which would constitute a veritable repudiation of the engagements of the State such as seriously to injure public credit. The third and last—the only normal one—is the appeal to credit for the voluntary consolidation of as large a part as possible of the short term Treasury Bonds.

“It is to this third method that the public authorities have had recourse.”

It had been hoped, according to unofficial announcements, that the loan would bring in between 15,000,000,000 and 20,000,000,000 francs. This would have enabled the Treasury to meet all short term obligations during the current year. However, after the closing of subscriptions on October 20, it was found that the results did not total more than 7,000,000,000 francs. This gave fresh incentive to the discussion of methods of financial rehabilitation; and prominence has been given by the French press to suggestions contained in an address delivered in Paris on October 15 by Dr. Benjamin M. Anderson, Jr., of the Chase National Bank of New York.

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## *Benjamin Anderson's Proposals*

Dr. Anderson proposes franc stabilization at a new and lower parity, to be determined by:

1. Current rates of exchange.
2. Price indices for France as compared with world prices in terms of gold.
3. The aggregate of the French public debt in its relation to the total wealth of France, this third consideration being the most important.

The re-establishment of the gold standard would, according to the author of this plan, be followed by a return into circulation of gold savings, as well as of French funds now kept out of the country because of the uncertainty of exchange.

Toward the close of October the approach of Parliament's fall term made it necessary for the Government to put its projects into definite form. On October 26 M. Caillaux laid before the cabinet his proposals, the main points of which were the following:

1. A sinking fund for the service and redemption of the 50,000,000,000 francs of National Defense Bonds due within the next ten years and of the short term debt.

2. An increase in the note issue, which he declared would not be inflation since its object would be, not the balancing of the budget, but the paying off of the debt, thus the substitution of one kind of paper for another.

The sinking fund under this plan was to be entirely autonomous, administered by a director independent of the Government. Its revenues were to be derived from the following sources:

1. The yields from the additional taxes inserted in the 1926 budget proposal for the service of the floating debt; i. e.,

- (a) Increase in the ordinary schedules of the income tax.
- (b) A progressive tax on incomes derived from capital.
- (c) A new tax on unproductive personal possessions.

2. The following new measures:

- (a) An increase from 8 per cent. to 10 per cent. in the tax on all sorts of income.
- (b) The extension of this tax to the *rentes*, hitherto tax-free.
- (c) A succession duty so arranged as to

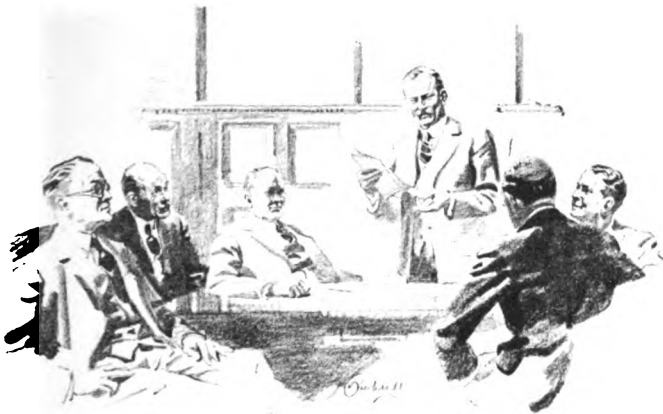
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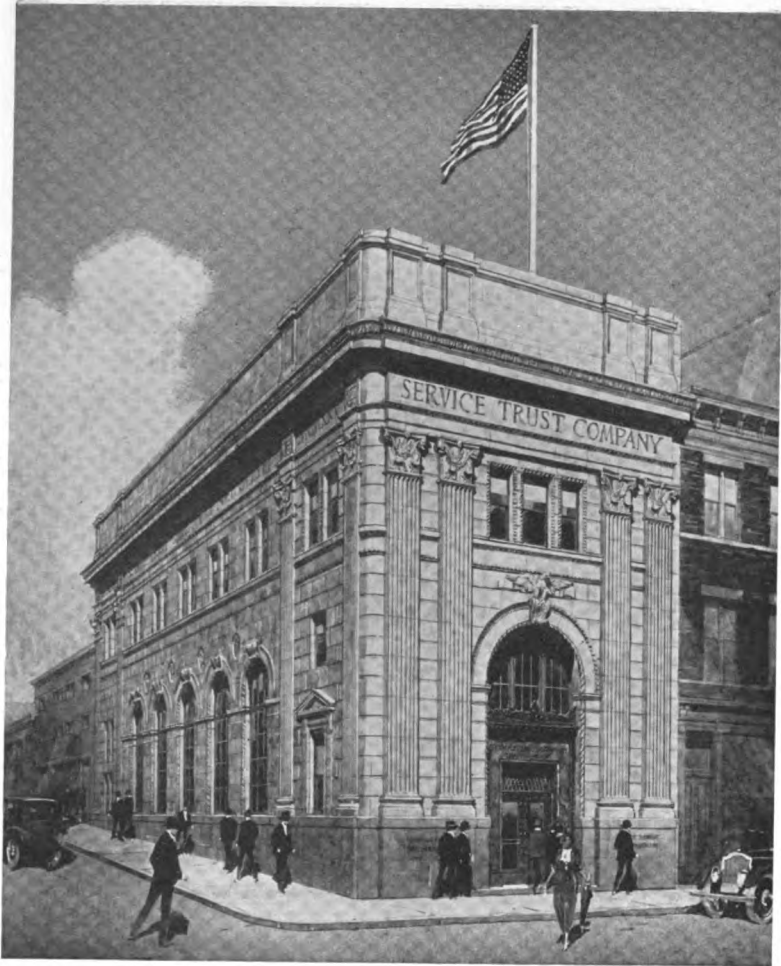
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M. Caillaux reckoned the total burden to be placed upon the country by this scheme at 4,000,000,000 francs. "To go beyond this," he declared, "would be madness."

He estimated that France's annuities under the Dawes Plan would after 1930 amount to 1,550,000,000 gold francs, which would both cover the service of France's external war debt and of a loan of 6,000,000,000 to 8,000,000,000 to settle outstanding war indemnity claims.

He concluded as follows:

"Thus all is provided for. The system which we propose meets all the difficulties which assail the state: no more anxiety concerning National Defense Bonds and the short term debt, which will be redeemed gradually, deliberately and prudently; completion of reconstruction in the north assured; settlement of the debts of state to state all arranged; beginnings of the redemption of the consolidated debt. It will then be possible to contemplate the broad monetary operation which cannot be realized without a sort of preliminary treatment. It should be undertaken in an atmosphere of confidence, of financial tranquillity which our immediate efforts will help to prepare."

The above statement, which was not published until four days after it was delivered, was immediately followed by the resignation of the cabinet, and its reconstruction with Premier Painlevé as Finance Minister in place of M. Caillaux. This action has been ascribed by the French press in large measure to Socialist hostility to the Caillaux plan.

The main proposals of the extreme Socialists, stated some time before by their leader, M. Blum, were as follows:

1. Creation of a sinking fund for debt redemption, out of the proceeds of "an exceptional and unique tax on capital" of 10 per cent. to 15 per cent.
2. Stamping of all bank notes to reduce their value by 10 per cent.
3. A 3 per cent. to 10 per cent. levy on the value of all bonds presented for reimbursement.
4. Forced conversion of Government obligations including all Treasury and National Defense Bonds.

The same suggestion of a forced conversion has appeared in a series of articles in the *Matin* which have aroused much controversy. They contain the following proposals:

1. Let the State undertake a solemn obligation not to decree new taxes. The 1926 budget, already known in its general outlines, and destined to assure a real equilibrium, constitutes a limit which should never be overstepped.

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2. Let the interest and reimbursement premiums to be paid to the bearers of bonds, which weigh too heavily upon the budget, be reduced to a lower rate, thus allowing the Government, without increasing taxes, to establish an amortization fund which will receive about 10,000,000,000 francs annually.

### *Suggestions of a Leading French Authority*

On October 31, 1925, "New Suggestions for Financial and Administrative Reform" made by a leading French financial authority, were published by *L'Europe Nouvelle*. The writer proposes that a general plan of financial rehabilitation be drawn up by, "a veritable committee of experts, purely French, of course, which would work like that which elaborated the Dawes Plan. Once in possession of this program the Government would have enormous power in imposing it on Parliament and on the country. Nothing will be done as long as recourse is not had to technicians, and to technicians alone."

The writer believes that taxpayers will be ready to consent to new sacrifices only if thoroughly persuaded that some permanent improvement will result therefrom.

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He is therefore convinced of the necessity of instituting thorough administrative reforms and economies. He urges the necessity of increased efficiency in the management of the state's resources, the wiping out of the railway deficit, the increasing of the revenue from tobacco and the telephones, etc.

These reforms, he admits, "cannot be put through in a day, but the announcement that a plan, complete, clear and well known, has been adopted and is being applied without weakness, would give enormous confidence."

The particular paragraph in the article which has aroused most comment is as follows:

"There is already in existence a small band of men who direct the financial policy of the world. It consists of the governor of the Bank of England and the governor of the Federal Reserve Bank of New York. The German Reichsbank and the National Bank of Belgium are in touch with these personalities and there are continuous conversations between them. Why does the governor of the Bank of France not belong to the group? Why cannot he make the voice of France heard by these authorities,

which hold the very source itself of credits, and inform his Government, in his turn, what measures will facilitate and what will prevent the obtaining of credits?"

### *Proposals of Industrial Leaders*

During the interim between the formation of the second Painlevé Cabinet and the publication of its financial proposals, two organizations which together are said to "represent the totality of the productive powers of the country," the *Confédération Générale de la Production Française* and the *Association Nationale d'Expansion Economique*, issued an important manifesto addressed to the President of France, in which they declare:

"We are persuaded that the present crisis is essentially a crisis of confidence. It can be surmounted only by giving to the entire country the guarantee that the public authorities have decided to end it by the union of all Frenchmen, and by demanding of the resources and the labor of all, the most well to do as well as the most modest, that contribution which all citizens owe to the country when it is in danger.

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"1. That this restoration shall be the work of all, and shall not be inspired by any pre-occupation of party.

"2. That the necessary effort shall be demanded of all and not imposed to the detriment of the national wealth and productivity upon a minority.

"3. That the measures to be taken—which must necessarily include the cessation of inflation under all its forms, the limitation of the floating debt and the amortization of the public debt—shall be withdrawn from the vicissitudes of parliamentary majorities and from party struggles by a legal disposition giving to the country the same guarantees as in the case of constitutional laws.

"If the creation of an autonomous fund for the amortization of the debt is decided upon, we ask that its management shall be entrusted to the great moral and economic forces of the country."

## *Painlevé's Proposals*

On November 8, 1925, M. Painlevé as Minister of Finance laid his proposals before the Finance Committee of the Chamber of Deputies. Explaining the necessity for special measures, he pointed out that the Treasury at the beginning of 1925 inherited a deficit of 1,338,000,000 francs from 1924; that the budgetary deficit for 1925 was estimated at 3,000,000,000 francs; that further expenditures made necessary by military operations in Morocco and Syria, by the railway deficit, and the situation in the devastated regions, amount to another 3,000,000,000; that the Treasury has had to redeem short term bonds to the amount of 5,571,000,000 francs; and that the delay in voting the 1925 budget which was not approved by Parliament until July 13 last, has held up the collection of taxes, so that 5,000,000,000 francs are now overdue.

In the bill itself there reappear in modified form three of M. Caillaux's proposals:

1. The establishment of a sinking fund to redeem the short term debt.
2. The withdrawal of tax immunity from the *rentes*.
3. The imposition of certain new taxess.

The sinking fund, however, is, in the Painlevé bill, not made independent of Par-

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liament, since four of the administering council of fifteen are to be drawn from among its members. It is proposed, moreover, in addition to taxes of the kind embodied in the Caillaux project, to impose a modified form of capital levy. The total yield of all this new taxation is estimated at 6,000,000,000 francs.

The resources of the sinking fund are to be derived from the following sources:

1. Proceeds from sale of new Government bonds.

2. An annuity of 2,630,000,000 francs to be provided for in the budget for the service of the bonds actually in currency.

3. Proceeds from the sale of certain Government buildings.

4. The yield of "an exceptional national levy," which is provided for as follows:

A poll tax of 20 francs annually for fourteen years on all persons subject to taxation.

(a) *Real estate.* On improved real estate the tax is one and a half times the taxable income from the property, or three annuities of 60 per cent. of the income, or fourteen annuities of 15 per cent. On unimproved real estate the taxable income is rated at 75 per cent. higher.

(b) *Business and manufactures.* The tax is 50 per cent. of the average taxable profits for the last three years, or three annuities of 20 per cent. or fourteen annuities of 5 per cent.

(c) *French and foreign securities of all sorts.* Fourteen annuities of 15 per cent. of the taxable income. Holders of *rentes* or stocks made out in the name of the bearer have the option of making a single payment amounting to 1½ times the annual income from the investment.

(d) *Government or private salaries above 50,000 francs.* The tax is a graduated super-tax of 3 per cent. to 5 per cent.

(e) *Unproductive personal possessions.* The tax is 8 per cent. of the value, or three annuities of 3 per cent. or fourteen of ¾ per cent. It is levied on that portion of

the value of the possessions which exceeds 50,000 francs.

After discussing the above proposals, the Chamber's Finance Committee, in its resolution of November 8, 1925, declared that the committee "is determined to avoid any sort of inflation. It considers that the extraordinary levy to be demanded of the country ought not to be based solely on an increase in the scheduled taxes. It considers further that the safety of the franc, which is backed by the prosperity of the country, can only be ensured by a full and confident guarantee of all productive forces and all forms of wealth. It accordingly requests the Government to shape its final scheme on these lines."

### *Proposed Amendments to Government's Bill*

On November 11, 1925, the *Cartel des Gauches* put forward its demand that the Government's bill be amended to include the following "five points:"

1. No increase in the legal maximum of bank note issues or of advances of the Bank of France to the Government; but the replacement of lost or destroyed banknotes, estimated at 1,500,000,000 francs.

2. Consolidation of 3, 6 and 10 year Treasury Bonds, through the medium of National Bonds, so that payments shall be at the even rate of 325,000,000 francs monthly.

3. "Privilege of the Treasury" (as in the case of the War Profits Tax) upon buildings worth more than 150,000 francs.

4. The state to share to the extent of 10 per cent. to 15 per cent. in the profits of industrial and commercial corporations.

5. A 15 per cent. tax on the income from *rentes*, or, at the holder's option, reduction of the rate of interest.

The Conservatives, on their part, have been equally outspoken in their criticism of the Painlevé proposal. In an editorial which appeared simultaneously with the

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publication of the bill, the *Temps* characterized as "fatal improvisations" certain of its provisions, among others:

1. The authorization extended to the Bank of France to advance to the sinking fund as "working capital" the amount of the fund's estimated annual receipts and to increase its own note issue to the same extent.

2. The provision permitting an increase of 2,500,000,000 in the authorized advances by the Bank of France to the Government, in this case with no corresponding increase in the maximum note issue; a provision which according to the *Temps*, would tie up credits and provoke a severe business crisis; the "new inquisitions" which it is feared the administration of the new taxes may entail.

4. The alleged failure of the bill adequately to guarantee that the administering council of the proposed sinking fund will be independent of political pressure.

On November 10 the Republican Union, a parliamentary group with agrarian affiliations, passed a resolution in favor of the following solution of France's financial problems:

1. A national lottery to raise the 5,000,000,000 francs needed by the Treasury to meet payments up to the end of 1925.

2. The doubling of the turnover tax and the cutting down of expenses, in lieu of the

revolutionary fiscal proposals which are being made, to provide the 5,000,000,000 needed to ensure the balance of the budget.

3. The re-establishment of public confidence by the policy of "National Union," so that the renewal of National Defense Bonds, which was a characteristic feature of the situation up to the present year, may once more become a regular practice.

## Italy

**S**ATISFACTORY business conditions in Italy have recently become emphasized through effective stabilization of the lira, says a current report to the U. S. Department of Commerce at Washington. The general public financial situation is sound, with Government revenues exceeding expenditures and the available cash balance increasing, while the return to normal in private finances is indicated in the improvement shown by the combined statement of the leading banks on October 31, the first to be recorded since the beginning of the period of money stringency in the spring of 1925.

Many proposals for American loans are pending, but Government approval will be

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strictly limited to those for productive purposes. All industries maintain a steady degree of activity with the exception of iron and steel, though French competition is becoming stronger.

While a seasonal increase in unemployment has occurred it is less important than in previous years at this season. Prices in Italy have remained practically unchanged since the end of October 1925, increasing confidence in the stability of the general situation. The cabinet has approved plans for consolidation of a number of adjoining towns with the City of Genoa in order to improve port, industrial and transportation facilities.

## Scandinavia

**F**OREIGN trade of Sweden during November 1925, according to a current report to the U. S. Department of Commerce at Washington, was featured by exceptionally high imports, reaching a total of 147,986,000 crowns, as against a total of 131,285,000 crowns during October. The November

figure represents the highest total recorded in recent years. Exports reached total of 127,411,000 crowns during November, a decline of about 10,000,000 crowns from the October figure. Lower export totals are, however, usual at this time of the year. While October produced a favorable balance of 5,766,000 crowns, November foreign trade resulted in an adverse balance of approximately 10,000,000 crowns.

*Important Legislative Measures in Denmark*

Important legislative measures have figured prominently in recent Danish developments. A bill was passed to give relief to the depressed textile industry and new measures are now being considered to assist other industries suffering from the prevailing depression. Parliament has further authorized the expenditure of 11,000,000 crowns for unemployment relief. Finally, the exchange bill was enacted, providing for a minimum rate for the crown of 89 per cent. of par. Unemployment is increasing rapidly and at the close of the year exceeded, 70,000, as compared with 31,000 the previous year. Shutdowns are threatened in various industries as a result of the widespread industrial inactivity.

There was a slight tightening in the money market toward the close of the year, with a somewhat heavier credit demand. Price levels have reacted slightly and caused a slight rise in the wholesale price index. Continued dullness in the freight market has caused a rise in the amount of idle tonnage. Imports are now increasing.

*The Norwegian Industrial Situation*

Stagnation has become more apparent in the Norwegian industrial situation. This is reflected in diminishing exports and growing unemployment. The exchange has remained stable, however, while prices continue to decline. The money market is featured by some stringency as the policy of credit deflation continues. It is expected that some improvement will occur in the industrial situation as soon as the anticipated readjustment in wage scales is effected.

## Hungary

**F**OLLOWING its recent monthly bulletin, which summarized the results hitherto achieved in the direction of the economic and financial restoration of Hun-

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| S. Freixas . . . . .         | Chief Accountant          |
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gary, the Swiss Bank Corporation, Basle, devotes the current number of its monthly publication to a consideration of the outlook in Hungary, and the work which still remains to be done. The budget for 1925-26 reckons upon net revenue of 496,000,000 gold crowns, while expenditure is expected to reach 469,000,000 gold crowns. About 60 per cent. of the revenue comes from indirect taxation, 25 per cent. from direct taxes, and 10 per cent. from monopolies. The income tax, which is graded at rates varying between 1 and 40 per cent., is very far from producing a return proportionate to that obtained in other countries, such as Great Britain and Switzerland. The heaviest indirect tax is that on the business turnover, which has been 3 per cent., and is to be reduced to 2 per cent.—still a very high level. It is calculated that this reduction will result in a loss to the Exchequer of about 50,000,000 gold crowns. The Government hopes, however, to make up for the deficiency caused by this reduction, and certain other smaller remissions, by an increased return from direct taxation, through improved methods of collection. The heaviest item under the heading of expenditures in 1924-25 was on salaries. The

number of state employes is very large in proportion to the size of the country, owing to the numerous officials who had to be taken over from the former territories of the old Austro-Hungarian Empire, and although at the end of June it had been possible to discharge 20,475 officials—a number very much in excess of that laid down in the reconstruction plan—the state will still be burdened over a long period with the necessity of providing pensions. In the current year more than 73,000,000 gold crowns will be required for this purpose. Moreover, the salaries paid to civil servants do not seem sufficient in view of the present cost of living. In February 1925, the Commissioner-General authorized expenditure of about 7,000,000 gold crowns to provide for temporary increases, while the permanent rise eventually granted will require supplementary expenditure of about 20,000,000 crowns annually, and thus absorb the greater part of the budget surplus.

The financial difficulties still facing the country are great, all the more so as the incidence of taxation amounts to more than 70 gold crowns per head. But the accounts for 1924-25 and the budget of the following year show that the equilibrium has been at-



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tained much more rapidly than was foreseen in the reorganization plan, and it would appear that unless unforeseen circumstances intervene, the finances will eventually be put on a sound basis.

### Czechoslovakia

THE year 1925 was one of great economic progress in Czechoslovakia, according to a current report to the U. S. Department of Commerce at Washington. Principal industries of the country, excepting coal, are approaching pre-war production, and the holiday business was the best since the war. In December there was a slight lessening of industrial activity for inventory taking and because of difficulties in exporting, caused by the fluctuations of French and Polish exchange.

Money is easy, with industrial borrowing light. The Government Banking Office report, as of December 23, 1925, shows balances abroad and foreign currency holdings of \$35,000,000, mostly proceeds of the American loan, and total reserves covering 40 per cent. of the circulation and deposits.

Exports in November were valued at \$54,000,000, or 12 per cent. above October and 2 per cent. above November, 1924. Sugar and coal increased, while iron products and textiles declined.

### Austria

THE improvement in Austrian foreign trade during the first half of 1925 continued through the third quarter of the year, says a current report to the U. S.

Department of Commerce at Washington. Preliminary figures recently published show imports in the first nine months of 1925 valued at \$286,000,000, a decrease of 16 per cent. as compared with the corresponding period of 1924. Imports of all classes of goods were much less than in 1924, except livestock and foodstuffs, which were greater.

American participation in Austrian imports increased, and for the first half of the year the United States stood in the third place; exports for the first nine months of 1925 reached a value of \$206,000,000, an increase of 8 per cent. over those of the corresponding period of 1924. This increase was especially large in semi-manufactured goods.

The "unfavorable" trade balance of Austria for the nine months was, accordingly, \$80,000,000, only 56 per cent. of the balance for the corresponding period of 1924. This is very encouraging, especially in connection with the abundant crops of 1925.

### Japan

THE program of economic readjustment which the Japanese Government now has under way; namely, of tax reform, tariff reform and the improvement of the trade balance, will be continued according to statements made by Japanese Finance Minister Hamaguchi in a recent address before a bankers' convention in Osaka.

On the subjects of the exchange rate and the foreign loan question, Minister Hamaguchi is quoted as saying:

The exchange rate, though tending upward, is still about 16 per cent. below

parity. The Government, realizing the urgent necessity for its recovery, is strenuously endeavoring to restrict imports, by encouragement of thrift, hard work and use of home products, and is sparing no effort to promote exports by wider application of the rebate system on re-exported goods and use of Government funds. Shipment of gold, which has already totaled 14,000,000 yen since September, will be continued.

Owing to high money rates here and low exchange rate, there has been a tendency to import foreign capital. Loans floated abroad in last twelve months amounted to nearly \$70,000,000, and it is said that more are under contemplation. Such importation may contribute to improvement of the trade balance, but unless the loan terms are favorable and proceeds adequately used, such operations may increase our foreign debit and ultimately induce an adverse trade balance. I should like, therefore, to ask our citizens to exercise, especially at present, when a sudden inflow of foreign capital might react unfavorably, self-control in the utilization of foreign capital and co-operate with the Government in assisting economic rehabilitation and trade balance improvement.

## Argentina

**T**HE First National Bank of Boston has received the following cable report from its branch in Buenos Aires, Argentina:

General conditions are still sluggish, although seasonal activity has commenced with fair interest in linseed and wool, also occasionally in hides and sheepskins. Congress is holding an extra session with sixteen items on the calendar, including budget consolidation of the Government debt to the Banco Nacion, proposed banking law suspension, general pension law. Obstructionist tactics are preventing quorum. October failures amounted to \$12,156,000, against \$11,975,000 in September, and \$6,461,000 in October 1924. Despite the largely increased failures, the credit situation is not considered alarming, although general conditions and tightening money are resulting in careful scrutiny of all offerings. October bank clearings were \$3,343,000,000, against \$3,380,000,000, \$3,232,000,000 and \$2,827,000,000 in October 1924, 1923 and 1922 respectively. Approximate railroad gross earnings for October were \$42,094,000, against \$53,521,000 for September, and \$53,198,000 for October 1924. The September combined bank statement shows deposits up \$6,586,000, cash up \$18,907,000, loans down \$7,533,000, and cash reserve 24.3 per cent. The October combined

bank statement shows deposits down \$5,752,000, cash down \$4,167,000, loans up \$24,491,000, cash reserve 24.2 per cent.



## International Banking Notes

The statement of the Bank of New South Wales, Sydney, for the year ended September 30, 1925, shows a net profit for the year, after providing for all expenses, and including balance of £151,372 brought forward from previous account of £1,130,755. Out of this amount dividends at the rate of 10 per cent. per annum have been paid for quarters ended December 31, 1924, March 31, 1925, and June 30, 1925. The balance of £680,755 has been disposed of as follows:

|   |           |
|---|-----------|
| To payment of a quarterly dividend to September 30, 1925, at the rate of 10 per cent. per annum ..... | £ 150,000 |
| To bonus of 10s. per share .....  | 150,000   |
| To reserve fund .....   | 250,000   |
| Carried forward to next account .....   | 130,755   |

During the year the Bank of New South Wales opened eight new branches. The bank's branches and agencies now number 415.



The statement of the British Overseas Bank Limited, London, for the year ended October 31, 1925, shows a net profit for the year, after providing for all expenses and including a balance of £54,330 brought forward from previous account of £180,345. Out of this amount an interim dividend on the "A" ordinary shares at the rate of 6 per cent. per annum has been paid for the half-year ended April 30, 1925, absorbing £30,000. The balance of £150,345 has been disposed of as follows:

|   |          |
|---|----------|
| To payment of a dividend on the "A" ordinary shares at the rate of 6 per cent. per annum for the half-year ended October 31, 1925 ..... | £ 30,000 |
| To payment of a dividend on the "B" ordinary shares at the rate of 3 per cent. per annum for the year ended October 31, 1925 .....      | 30,000   |
| To reduction of premises account .....  | 5,000    |
| To reserve fund .....   | 25,000   |
| Carried forward to next account .....   | 60,345   |



The statement of the Royal Bank of Scotland for the year ended October 10, 1925, shows a net profit for the year, after providing for all expenses, of £472,622. Out of this amount a half-yearly dividend at the rate of 15 per cent. per annum has been

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paid, absorbing £145,312, and an additional dividend at the rate of 16 per cent. per annum paid at the close of the year 1925 was declared, absorbing £160,000.

The balance remaining has been disposed of as follows:

|  | £       |
|--|---------|
| To writing off expenditure on bank build-<br>ings and heritable property ..... | 20,000  |
| To pension reserve fund .....  | 30,000  |
| Carried forward to next account .....  | 117,310 |

◎

The statement of the Western Australian Bank, Perth, for the year ended September 28, 1925, shows a net profit, after providing for all expenses and including the sum of £37,523 brought forward from previous account, of £100,430. Out of this amount a dividend at the rate of 17½ per cent. per annum has been declared, absorbing £61,250. The balance of £39,180 has been carried forward to next account.

◎

The statement of the Bank of London and South America Limited, London, for the year ended September 30, 1925, shows a net profit, after providing for all expenses and including £412,392 brought forward from previous account, of £866,700. Out of this amount a dividend at the rate of 7 per cent. per annum, has been declared, absorbing £247,800 and making with £141,600, the interim dividend paid in June last, a distribution of 11 per cent. for the year on the paid-up capital of the bank. A bonus of £66,000 has been paid to the staff and the balance of £411,300 has been carried forward to next account.

The statement of the American Colonial Bank of Porto Rico, San Juan, as of October 31, 1925, shows total resources of \$10,710,644, loans and discounts \$6,469,896, paid-up capital \$1,000,000, surplus \$400,000 and undivided profits \$315,070.

◎

The statement of the National Bank of Scotland Limited, Edinburgh, for the year ended October 31, 1925, shows a net profit, after providing for all expenses and including the sum of £66,141 brought forward from previous account, of £354,539. This sum has been disposed of as follows:

|   | £       |
|---|---------|
| To payment of a dividend at the rate of<br>16 per cent. per annum ..... | 138,926 |
| To reserve fund .....   | 50,000  |
| To heritable property account .....                                     | 25,000  |
| To trustees for officers' pension plan.....                             | 35,000  |
| To bank's annuity fund .....  | 5,000   |
| To payment of centenary bonus to staff .....                            | 36,392  |
| Carried forward to next account .....                                   | 64,220  |

The National Bank of Scotland Limited celebrated during the year 1925 the one hundredth anniversary of its founding.

◎

Announcement has been made of the appointment of Siro Fusi as president of the Banca Commerciale Italiana Trust Company, and as chief executive of the New York agency of the parent institution, the Banca Commerciale Italiana with head office in Milan, Italy, and over eighty branches in that country.

Mr. Fusi has been connected with the institution for twenty years both here, in

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England and Italy and has been active in the management of the New York interests since their organization in 1919.

At an extraordinary meeting of stockholders in October last it was decided to increase the capital to lire 700,000,000 which brings total capital, surplus and undivided profits of the institution well above lire 1,000,000,000.

Dividends have been maintained during the last five years at 12 per cent.



The National City Company of New York made public recently a statement by General Frank McIntyre, Chief of the Bureau of Insular Affairs at Washington, in which he reported a favorable condition of business and finance in Porto Rico.

"The annual petition submitted reciting political and economic grievances of certain parties and classes in Porto Rico," said General McIntyre, "might create the impression that the economic position of Porto Rico and its people was less favorable than in years past. Such an inference is quite

contrary to the facts. The year just passed has been on the whole the most prosperous in the history of Porto Rico. The production of principal crops was large and the prosperity of the industrial and business enterprises in Porto Rico was never on a more sound basis.

"The three largest sugar properties in Porto Rico, owned largely in America, evidence this by their reports to their stockholders and by the price of their securities as quoted in the market. There is litigation over a number of tax cases, some involving very large amounts, and these amounts, pending court decision, have not been paid into the treasury. Largely as a result of this, there have been current expenditures in excess of current receipts.

"The value of real property in Porto Rico continues to increase. There has been a year of public and private building such as has never been experienced in the past. The Government of Porto Rico meets all its obligations as they fall due. Bonds of the Government have been called, in general, as soon as it was possible to call them. There has been no delay in the payment of interest and no default in any case."



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# Some Bank Credit Problems

**THE BANKERS MAGAZINE** has secured the services of a capable credit man to answer the inquiries of readers on current problems of the credit manager. Questions of general interest to credit men and bankers will be answered and only the initials of the persons asking the question will be used. In case the question is not one of particular interest to bank credit men as a whole or is one which has been answered before, a reply will be made by mail.

In order that all questions may be answered intelligently, it is requested that they be direct and to the point, but that sufficient necessary detail be included to enable the editor to draw the proper conclusion. Inquiries should be addressed to the Editor, **Bank Credit Problems, THE BANKERS MAGAZINE, 71-73 Murray Street, New York.**—EDITOR.

**T**HE tenth article in the series by the Credit Editor on credit and credit department methods. Preceding articles in the series, which began in the April 1925 issue have been of a preparatory nature—leading up to the matter of analysis by explaining the various types of business organizations and the statements they issue; the trial balance, the balance sheet, and the profit and loss statement.

**A**S readers are no doubt well aware, statements are analyzed for many purposes. The investment banker who is considering underwriting a security issue is interested in the responsibility back of the type of security, and the company's management, but focuses his attention particularly upon the earning ability of the company. The mercantile credit man is interested in, and views his statement more particularly from the standpoint of the company's ability to pay in a short time. The commercial banker takes still another view of it.

In the discussion on statement analysis, it is my intention to dwell on analysis which suits the purpose of the commercial banker. Frequently we hear someone ask as to the proper point from which to begin to analyze a statement and the proper mode of procedure. The difficult thing about statement analysis is that you cannot say where to begin, how to proceed, or where to end. The analyst must possess a vast fund of information regarding features and phases of business, and all of this goes to augment the balance sheet, and the operating figures, which are before him for analysis. It is a case of common sense and procedure to make the correct deductions as they occur to the analyst. One cannot formulate

set rules and proceed to pursue them; such as, the statement must show a ratio of current assets of two to one; cash and receivables in excess of current debt; cash of 10 cents against each dollar of current debt; a merchandise turnover of four times; a receivable turnover of four times; fixed assets of three-fourths net worth, and so on; and if the statement meets these requirements, say that the credit is good, and if it does not, refuse it. The first thing necessary for statement analysis is that the analyst have a thorough knowledge of how to prepare a statement, or in other words, understand accounting. The second thing necessary is to understand business, to realize that the essential factor entering into almost every business is that there are times when debt is heavy and others when debt is light, and that the statement usually is taken when the debt is light. Third, it is necessary to have a fund of knowledge in mind or at hand, plus details such as bank lines, etc., and then to apply good common sense.

The preceding articles in this column have been written with the thought that they would give the readers some idea as to the preparation of financial statements, the nature of corporate securities, etc., in order that the readers might have a better understanding when the subject of statement analysis was discussed. The balance sheet of a company, as stated in one of the preceding issues, reflects the condition of the company as of the day and time it was taken from the books, and that is all it does show. As previously mentioned, it is usually taken off at a time when debt is light and not when the season is at its height, merchandise is heavy and debt is up to take care of this heavy inventory. The merchant can

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**W**HEN you have Boston or New England business, send it to us. With eleven offices covering the city and direct collection facilities throughout this section, we afford quickest and best service. Correspondence invited.

CAPITAL \$20,000,000

SURPLUS \$20,000,000

Resources \$370,000,000

| ASSETS                                       |   |  |  |  |  |  |  |  |  |  |  |
|--|---|--|--|--|--|--|--|--|--|--|--|
| Cash   |   |  |  |  |  |  |  |  |  |  |  |
| Notes and Bills Receivable (customers)       |   |  |  |  |  |  |  |  |  |  |  |
| Trade Acceptances                            |   |  |  |  |  |  |  |  |  |  |  |
| Accounts Receivable (customers)              |   |  |  |  |  |  |  |  |  |  |  |
| Merchandise                                  | } Finished and in process<br>raw material |  |  |  |  |  |  |  |  |  |  |
| Miscellaneous Items—Current                  |   |  |  |  |  |  |  |  |  |  |  |
| Other Notes and Accounts Receivable          |   |  |  |  |  |  |  |  |  |  |  |
| Real Estate and Buildings                    |   |  |  |  |  |  |  |  |  |  |  |
| Machinery and Fixtures                       |   |  |  |  |  |  |  |  |  |  |  |
| Investments                                  |   |  |  |  |  |  |  |  |  |  |  |
| Miscellaneous Items—Slow                     |   |  |  |  |  |  |  |  |  |  |  |
| <b>TOTAL</b>                                 |   |  |  |  |  |  |  |  |  |  |  |
| LIABILITIES                                  |   |  |  |  |  |  |  |  |  |  |  |
| Notes and Bills Payable to Banks and Bankers |   |  |  |  |  |  |  |  |  |  |  |
| Notes and Bills Payable for Merchandise      |   |  |  |  |  |  |  |  |  |  |  |
| Trade Acceptances                            |   |  |  |  |  |  |  |  |  |  |  |
| Accounts Payable for Merchandise             |   |  |  |  |  |  |  |  |  |  |  |
| Other Notes, Loans or Accounts Payable       |   |  |  |  |  |  |  |  |  |  |  |
| Miscellaneous Items—Current                  |   |  |  |  |  |  |  |  |  |  |  |
| Secured Debt (when due)                      |   |  |  |  |  |  |  |  |  |  |  |
| Real Estate Mortgages (when due)             |   |  |  |  |  |  |  |  |  |  |  |
| Miscellaneous Items—Slow                     |   |  |  |  |  |  |  |  |  |  |  |
| <b>Total Liabilities</b>                     |   |  |  |  |  |  |  |  |  |  |  |
| Reserves                                     |   |  |  |  |  |  |  |  |  |  |  |
| Capital Stock                                |   |  |  |  |  |  |  |  |  |  |  |
| Surplus and Undivided Profit ( or Deficit )  |   |  |  |  |  |  |  |  |  |  |  |
| <b>TOTAL</b>                                 |   |  |  |  |  |  |  |  |  |  |  |
| Current Assets                               |   |  |  |  |  |  |  |  |  |  |  |
| Current Liabilities                          |   |  |  |  |  |  |  |  |  |  |  |
| Ratio  |   |  |  |  |  |  |  |  |  |  |  |
| Excess or Deficit of Current Assets          |   |  |  |  |  |  |  |  |  |  |  |
| Outside Worth of Endorsers                   |   |  |  |  |  |  |  |  |  |  |  |
| Contingent Liability                         |   |  |  |  |  |  |  |  |  |  |  |
| Net Sales                                    |   |  |  |  |  |  |  |  |  |  |  |
| Gross Profit                                 |   |  |  |  |  |  |  |  |  |  |  |
| General and Selling Expenses                 |   |  |  |  |  |  |  |  |  |  |  |
| Operating Profit ( or Loss )                 |   |  |  |  |  |  |  |  |  |  |  |
| Other Income                                 |   |  |  |  |  |  |  |  |  |  |  |
| Charges against Income                       |   |  |  |  |  |  |  |  |  |  |  |
| Net Income ( or Deficit )                    |   |  |  |  |  |  |  |  |  |  |  |
| Dividends—Preferred                          |   |  |  |  |  |  |  |  |  |  |  |
| Dividends—Common                             |   |  |  |  |  |  |  |  |  |  |  |
| Adjustments:                                 |   |  |  |  |  |  |  |  |  |  |  |
| Increase or Decrease in Surplus              |   |  |  |  |  |  |  |  |  |  |  |

A suggested form for statement comparison and analysis

issue a statement as of December 31, showing in it no bank indebtedness, and then go to his bank on the next business day and borrow a considerable amount of money. In this connection perhaps the remark will be made that while the merchant has borrowed this money, he has not given it away

and that his net worth remains the same. This is perfectly true, but his current ratio has been reduced, for as current debt and current assets increase in like amount, the ratio decreases. There is the same margin of net current assets to take care of the larger debt that there was for the smaller



# Announcing A Greater Bank

to serve  
A Greater Buffalo and the Niagara Frontier

---

**Marine Trust Company**  
of Buffalo  
*and*  
**Buffalo Trust Company**

*united to form*

**THE MARINE TRUST COMPANY**  
OF BUFFALO



**Combined Resources more than \$200,000,000**

The "New-Old Marine" thus becomes one of the greater banks in the United States. It has 34 branches, covering every business and residential neighborhood of Buffalo, and serves more than 150,000 customers.

**ELLIOTT C. MCDUGAL**  
*Chairman of Board*

**WALTER P. COOKE**  
*Vice-Chairman of Board*

**GEORGE F. RAND**  
*President*

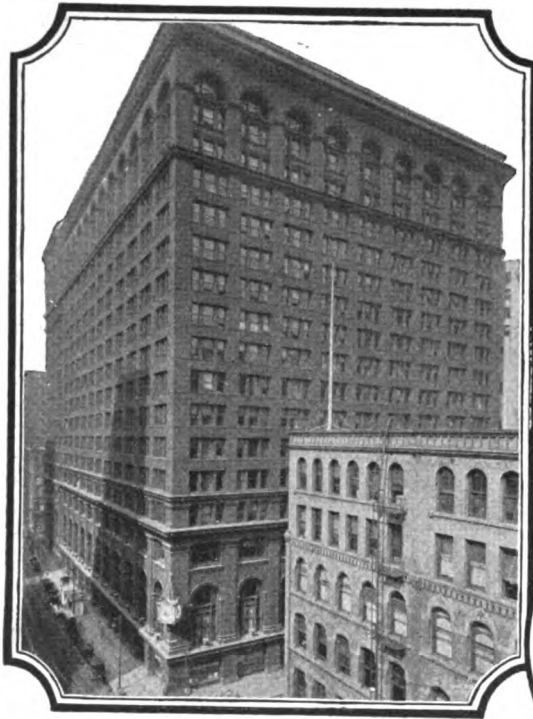
and, therefore, the margin of safety has been diminished. This is simply mentioned in order to impress further upon readers the fact that the balance sheet reflects the condition as of a certain time only. The operating or profit and loss statement shows the result of operation over a certain period, indicates volume, purchases, expenses, profits, and should contain a reconciliation of net worth. The operating figures should support every balance sheet that is to be analyzed, but many times it is necessary to pass on credit without this information, and in many others, the data is only partial.

Before one really proceeds to analyze a statement, I believe it is always desirable to enumerate in the form of a questionnaire all of the information which is lacking which would contribute to a more intelligent analysis. For example, if the profit and loss figures are not complete, receivables are not classified as to the age, contingent liability is not shown, basis of valuation of merchandise is not given, maximum and minimum indebtedness during the year are unknown, it looks well to set all of these features out in the form of a questionnaire. To my mind, if there is any such thing as a first thing to do in analyzing, this is it, although some might be prone to consider that such a questionnaire should not be construed as a portion of the analysis. The analysis in its detailed form is usually made by a member of the credit department for the benefit of the loaning officer. In this connection, the questionnaire above pointed out has a two-fold duty, in that it posts the loaning officer regarding the desirability of having additional data, concerning which he may request the information from the customer when the opportunity presents itself, of course, using his own judgment as to the importance of the question. Most banks have adopted statement comparison forms, which best suit their own needs. This comparison form, as readers are probably well aware, is nothing more or less than a form permitting the classification of the assets as to quick and slow. Above is a comparison form which the writer believes well developed and a very desirable form in many respects. This form provides for setting up five successive statements. Place is provided at the top for the name, line of business, and location of the company. The current assets are first grouped, and two places are left to write in any other current asset items before the slow assets are listed. Following the slow

assets, space is also left to write in additional slow items. On the liability side, the same applies, provision being made to write in other quick liabilities, and also other slow debts. The vacant space between the item of "reserve" and the item of "capital stock" is left with the intent that in placing a consolidated statement on the comparison form, a place will be provided to show the minority interest. This space may also be used to write in special reserve items where reserves have been established for other than depreciation. After this, space is provided to show a complete synopsis of the current position of the company. Following this, spaces are provided showing contingent liabilities, and the blank space to write in any special feature. Perhaps this might be merchandise purchased for a future season. This is followed by room for complete synopsis of the profit and loss statement, which includes a space for surplus adjustments, and the showing of the net increase or decrease, in surplus for the year. This seems to provide about as much information as can be expected of the comparison form.

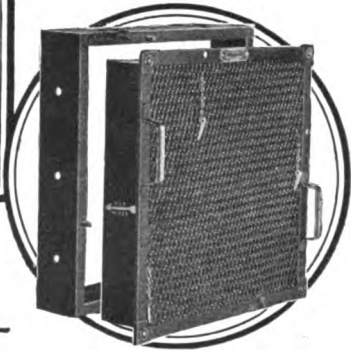
In glancing at the comparison form one usually notices the ratio of current assets to current liabilities. It is not unusual to hear this commonly considered desirable if it is two for one—that is, \$2 of current assets for each \$1 of current indebtedness. For many lines of business, the ratio of two for one is satisfactory, and lower than that is undesirable. On the other hand, there are lines of business where the ratio may be lower and still the credit risk be highly desirable. The factor and commission merchant is an example. He has a fair sized capital of his own, but by reason of the fact that the nature of his business is such, he does not have to take the risk of purchasing merchandise, but rather merely advances against merchandise up to 66-2/3 per cent. of its value, and against receivables, up to 80 per cent. of their value. In this case, the banker realizes the secured position of the factor, loans him very liberally in contrast to his own responsibility, and in view of this heavy indebtedness on the part of the factor, he shows a low ratio—perhaps, 1½, which would be taken by many as satisfactory. It is a case where confidence in the merchant that he is keeping advances properly secured plays an important part. In direct contrast to this there are lines of business where perhaps a 3½ or 4 to 1 ratio, would be the minimum. Under this classification might be included the millinery

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After testing a small initial installation of Reed Air Filters over a period of 7 months, the First Trust and Savings Bank, Chicago, equipped their entire ventilating system for the purpose of supplying 200,000 cubic feet of clean, healthful air per minute.

A single Reed Air Filter is shown below. These units in the intake of a ventilating system are guaranteed to remove 97% of the dust, soot and bacteria from the air. Installations run from two or three units to any quantity required. (REED AIR FILTERS are manufactured under patents of May 16, 1922, Feb. 12, 1924, Nov. 18, 1924. Other patents pending.)



## REED Clean Air— Part of First National's Equipment



Send for these .  
**FREE BULLETINS**  
No. 106—On how Reed  
Air Filters work  
No. 107—Data and tests  
No. 108—How used in  
ventilating buildings

Accuracy and speed in a bank depend as much upon *clean air* as upon adding machine, typewriter or electric light. Outside air is laden with unseen dust, soot and bacteria that impair efficiency of employes, encourage illness, cause unnecessary absences and damage fine building interiors. Reed Air Filters—easily installed in old or new ventilating systems—remove 97% of this foreign matter and furnish air as exhilarating as that of the mountain tops. That's why the First Trust and Savings Bank, Chicago, and many other well-known banks are equipped with Reed Clean Air. Send for details. Reed Air Filter Co., Incorporated, 225 Central Ave., Louisville, Ky. 50 Church St., New York. Offices in Principal Cities.

# Reed Air

TRADE MARK

*filters* ALL METAL

business in women's trimmed hats, where violent style fluctuations of a season may cause heavy losses. For this reason, it cannot be considered that there is a set ratio, although two for one is taken as proper for most lines.

I cannot say as to the origin of the two for one ratio, it evidently being merely hit upon through the realization that in the event of trouble a company's assets depreciated considerably, while its indebtedness increased, and the two for one ratio was considered as forming a margin permitting of this shrinkage.

Consideration is next given to cash and receivables. It is noticed how cash compares to the company's indebtedness, and how the total of cash and receivables compares to the current indebtedness. Personally, I do not place a great deal of value in the ratio of cash to current indebtedness, because, as mentioned in one of the preceding articles, cash on statement date cannot be taken as a criterion of the company's usual cash position. On the other hand, I believe it is desirable that the ordinary company show cash and current receivables equal to, or in excess of, the current indebtedness. If they do not equal the current indebtedness, notice should be given as to what portion of the merchandise would be required in addition to make such an amount. It should be considered as the exception when cash, current receivables, and 20 per cent. of the merchandise will not make an amount equal to the current indebtedness. If such a showing is not made, it is perhaps safe to assume in the ordinary instance, that the merchandise is rather full, and that the indebtedness is up rather high to take care of it. In such a case greater attention should be paid to the basis of valuation of the merchandise, and the goodness of the inventory.

On the other hand, the current ratio may be entirely satisfactory, and receivables alone may be well in excess of current debts. However, the company may not be in a liquid position, for many of the receivables may be frozen.

**Questions and answers on bank credit problems follow as usual and will continue each month.**

**QUESTION:** I have before me a statement of a lumber company. On the asset side is an item of accounts receivable from

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**Dietz, Pennell & Jordan**  
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Booklet on Planning & Equipping of Banks will be sent on request

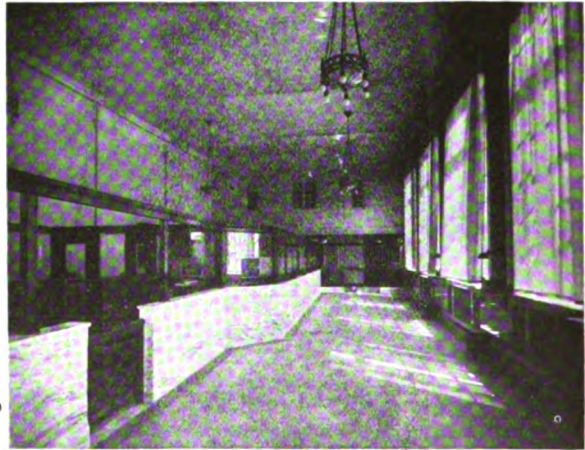
which is deducted freight, and the net amount is carried as an asset. In the sales shown by the company, freight is also deducted from the sales. Under such a set-up, it would appear that they were deducting freight twice.—G. D.

**ANSWER:** While freight is deducted from sales in order to arrive at net sales, and is also deducted from the accounts receivable, it is not at all likely that the company is deducting the amount twice. In order to arrive at net sales, the amount of freight paid on shipments is deducted from the gross sales. However, it is no doubt the company's policy to bill customers for the gross amount and from this gross amount make deduction for the amount of freight, arriving at a net amount. The gross amount of accounts receivable, which is the amount before deducting freight as set up in the balance sheet, of course, represents the uncollected portion of the year's sales as of the date of the statement. Of course, if the company were setting up in the accounts receivable item as the uncol-



LOCATED on an oblong corner site, the new building of the First National Bank of Tenafly, N. J., is individual and dignified in character. A complete safe deposit service is a feature of this bank, and the burglar proof vault is of the latest design.

THE decorative treatment of the interior is rich and subdued—quite in keeping with the exterior. The officers' quarters are located near the front, easily accessible to the public. On the mezzanine, at the rear, is the directors' room.



THE exterior of this new home of the First National Bank of Tenafly, N. J., is constructed of manufactured stone cast to imitate marble, and is probably one of the finest examples of this class of stone work ever exhibited.

## HOLMES & WINSLOW

*Specialists in Bank Architecture*

134 East 44th Street - - - - New York

lected portion of the year's business the amount of accounts receivable as represented by the net sales, rather than the gross sales, and deducting from this amount freight, it is evident that it would be deducting freight twice. This is not likely to be the case. As an example, let us say that the company made a shipment of \$25,000, and the amount of freight was \$500. In arriving at net sales, the figure of gross sales would be \$25,000, and from this would be deducted the freight of \$500, to arrive at net sales of \$24,500. In setting up the accounts receivable, no doubt the entry made on the ledger is for the gross amount, \$25,000, and from this is deducted the freight again of \$500, arriving at a net account receivable of \$24,500. On this basis, it would not be deducting the freight twice. The only way they could be deducting it twice would be if they took the net figures of this sale, \$24,500, and set up the account receivable in this amount, and deducted freight therefrom of \$500 again, in which case, the net account receivable would be \$24,000. As previously stated, it is not at all likely that they are doing this.

**QUESTION:** When an individual holds mortgages as an investment and pledges them against borrowings, is it customary to show his equity as an asset or to show the mortgages on the asset side of the statement and set up the debt against the mortgages on the liability side?—B. D.

**ANSWER:** It is the opinion of the writer that whenever an asset is pledged to secure borrowings the asset item should be shown as well as the liability item. This applies to the pledging of a mortgage receivable, the pledging of real estate itself to secure a mortgage debt, the pledging of securities, the pledging of accounts receivable, the pledging of merchandise, or the pledging of any asset where there is a margin pledged, above the amount borrowed, in favor of the one loaning the funds. On the other hand, in the case of a note receivable discounted, it is the writer's opinion that it should not be shown on either side of the statement, but merely regarded as a contingent liability.



## Holderness Predicts Continued Industrial Activity

**"I**T is difficult to find any strong evidence that the country has not enjoyed a year of good business, and that the present industrial activity will not continue into 1926," says Marvin E. Holderness, vice-president of the First National Bank in St. Louis, and chairman of the Public Relations Commission of the American Bankers Association.

"Carloadings, sales of mail order, chain and department stores, as well as other retail establishments, together with production statistics, such as output and forward orders for merchandise, all support this view.

"Doubtless the agricultural situation is, in some of its basic conditions, yet weak in certain sections, but there has been marked improvement during 1924 and 1925.

"There has been some speculation in urban and suburban real estate, and in certain cities, building, especially of dwellings and apartments, has reached the over-building stage.

"Instalment buying is rapidly developing as a result of the full employment of labor at high wages. It creates an increased demand for goods of all kinds and whether or not it carries within it danger, depends upon the extent to which the wage earner encroaches upon too completely or even mortgages his future income and especially to the extent to which he buys goods purely for consumptive purposes.

"The supply of commercial bank credit is large and rates promise to continue moderate. Neither in the manufacturing or distributing lines is there a large demand for bank funds because on the one hand physical plant productive capacity is large as a result of the war and post-war expansion, and, on the other hand, the careful policy of moderate buying is still followed, so that with greatly improved transportation facilities, goods are being turned rapidly and a dollar of bank credit does a large amount of business."



st

**Naturally**

—a bank with over 60 years' experience in handling out-of-town bank business and always alert to increase its measure of usefulness to its ever-increasing number of Correspondents located throughout the United States

*—is prepared to render a service commensurate with YOUR needs.*

*In giving thought to your 1926 banking arrangements, and your "Mid-Continental" business, consider the First National Bank in St. Louis.*



Broadway - Locust - Olive

**LARGEST NATIONAL BANK WEST OF THE MISSISSIPPI**

# Banking and Financial Notes

SPECIAL

**THE BANKERS  
MAGAZINE**

SECTION

## Eastern States

*Comprising New York, New Jersey, Pennsylvania and Delaware.*

### CONVENTION DATES

A. B. A. Mid-winter Trust Conference—  
at New York City, February 14-18.

National Association of Mutual Savings  
Banks—at Philadelphia, Pa., October 18-22.

Pennsylvania Bankers Association—at At-  
lantic City, N. J., May 26-28.

N. Y. State Bankers Association—at  
Quebec, Canada, June 21-23.

## FIDELITY-INTERNATIONAL TRUST AND COAL AND IRON NATIONAL, NEW YORK, TO BE MERGED

The boards of directors of the Fidelity-  
International Trust Company, New York,  
and the Coal and Iron National Bank, New  
York, have recommended to their stock-  
holders the merger of the two institutions  
as the Fidelity Trust Company of New  
York. To accomplish the merger, it will be  
necessary for the Coal and Iron National  
Bank to convert into a state bank, and then  
merge with the Fidelity-International.

The capital of the consolidated institution



**SAMUEL S. CONOVER**

President of the Fidelity-International Trust  
Company, New York, who will be executive  
chairman of the new Fidelity Trust Company  
of New York, formed by the merger of the  
Fidelity-International with the Coal and Iron  
National Bank, New York.



**JOHN T. SPROULL**

Chairman of the board of the Coal and Iron  
National Bank, New York, which is to be  
merged with the Fidelity-International Trust  
Company of New York. Mr. Sproull will be  
chairman of the executive committee of the new  
company.



# UNITED STATES MORTGAGE & TRUST COMPANY

*Statement of Condition, December 31, 1925*

## ASSETS

|   |                 |
|---|-----------------|
| Cash on Hand, in Federal Reserve and Other Banks..... | \$12,682,358.89 |
| Clearing House Exchanges .....                        | 7,486,549.27    |
| U. S. Government Bonds .....                          | 7,222,074.18    |
| Other Bonds and Stocks .....                          | 2,973,621.67    |
| Demand Loans .....                                    | 8,672,937.77    |
| Time Loans .....                                      | 82,404,346.48   |
| Bills and Notes Purchased .....                       | 5,725,259.40    |
| Foreign Exchange .....                                | 1,109,163.23    |
| Mortgages .....                                       | 8,955,385.94    |
| Real Estate (Branch Offices) .....                    | 1,183,856.08    |
| Customers' Liability on Acceptances .....             | 941,618.63      |
| Accrued Interest Receivable .....                     | 472,469.28      |
|   | \$84,829,640.82 |

## LIABILITIES

|  |                 |
|--|-----------------|
| Capital .....                            | \$ 3,000,000.00 |
| Surplus .....                            | 4,000,000.00    |
| Undivided Profits .....                  | 566,567.40      |
| Reserve for Taxes, etc. ....             | 828,241.65      |
| Dividend Payable January 2, 1926.....    | 120,000.00      |
| Deposits .....                           | 73,525,389.49   |
| Treasurer's Checks .....                 | 1,427,423.57    |
| Acceptances Executed for Customers ..... | 1,291,314.91    |
| Accrued Interest Payable .....           | 70,708.80       |
|  | \$84,829,640.82 |

*Main Office: 55 Cedar St.*

### Branches :

Broadway at 73rd Street  
125th St. at Eighth Ave.

Madison Avenue at 74th St.  
Lexington Avenue at 47th St.

New York



**Pride Mark  
of a  
Real Bank**

**Big Enough**—to handle any financial transaction, national or regional, in an efficient manner.

**Small Enough**—to consider every account as deserving our best efforts, knowing that our growth depends on our customers' success.

**Old Enough**—to apply to your bank-building problems 68 years of practical banking experience.

**Young Enough**—in spirit to bring the enthusiasm of aggressive officers and a progressive board of business men into action in behalf of our patrons.

**Strong Enough**—to offer the basis of absolute confidence in our resources of more than \$100,000,000.00.

**The National Bank of Commerce**  
with which is affiliated the Federal Commerce Trust Company  
 **in St. Louis**

will be \$4,000,000, the surplus \$2,500,000, and the undivided profits \$500,000, making a total invested capital of \$7,000,000. The combined deposits of the two banks at the present time aggregate \$45,000,000, making total resources of over \$50,000,000.

It is planned to have the head office in the north side of the Equitable building at 120 Broadway, formerly occupied by the Liberty National Bank, and more recently occupied by the Metropolitan Trust Company before its amalgamation with the Chatham and Phenix National Bank and Trust Company. The present offices of the Fidelity-International and the Coal and Iron National will all be continued, giving the new institution five places of business in New York.

Samuel S. Conover, president of the Fidelity-International Trust Company, will be executive chairman of the new Fidelity Trust Company; John T. Sproull, chairman of the board of the Coal and Iron National Bank, will be chairman of the executive committee; and, at the time the merger was announced, Julian W. Potter, late president of the Coal and Iron National Bank, was to be president of the new company. Mr. Potter's sudden death on January 1, 1926,

has made it necessary to change these plans. The office of president will remain temporarily unfilled, but the merger will proceed as arranged.

Julian W. Potter was born in Bowling Green, Ky., in 1889. He was educated in the public schools, Kentucky Military Institute, and the University of Virginia. He was reared in a banking atmosphere, his father being president of the American National Bank and the Potter Matlock Trust Company, both of Bowling Green, Ky. In 1912, Mr. Potter first entered banking as discount clerk of the American National Bank, Bowling Green, Ky., after two years spent with a real estate and insurance firm. He advanced rapidly through the positions of secretary and treasurer of the Potter Matlock Trust Company to the vice-presidency of the American National in 1916.

In 1920 he came to New York, as assistant treasurer of the Guaranty Trust Company, and later became a vice-president of the Italian Discount Company, New York, a Guaranty affiliation. In 1923, he was made president of the Coal and Iron National Bank, New York, at the age of 34. He was,

# American Trust Company

New York

Member Federal Reserve System

Statement of Condition as of December 31st, 1925

## RESOURCES

|   |                        |
|---|------------------------|
| Cash on Hand and in Banks .....                                       | \$ 7,760,519.84        |
| Demand Loans Secured by Collateral .....                              | 14,693,775.44          |
| U. S. Government, State and Municipal Bonds.....                      | 8,988,815.86           |
| Other Stocks and Bonds .....  | 3,239,605.82           |
| Time Loans Secured by Collateral.....                                 | 9,718,469.68           |
| Bonds and Mortgages .....   | 9,099,955.87           |
| Bills Purchased .....   | 7,877,625.62           |
| Accrued Interest Receivable .....                                     | 280,685.31             |
| Customers' Liability under Acceptances and Letters<br>of Credit ..... | 457,097.08             |
| <b>Total .....</b>  | <b>\$57,111,550.02</b> |

## LIABILITIES

|   |                        |
|---|------------------------|
| Capital .....                           | \$ 4,000,000.00        |
| Surplus and Undivided Profits .....     | 8,050,291.12           |
| Reserve for Taxes .....                 | 78,523.25              |
| Other Reserves .....                    | 87,350.36              |
| Accrued Interest Payable .....          | 58,960.51              |
| Unearned Discount .....                 | 59,888.19              |
| Acceptances and Letters of Credit ..... | 457,097.08             |
| Deposits .....                          | 49,819,439.51          |
| <b>Total .....</b>                      | <b>\$57,111,550.02</b> |

**DOWNTOWN: Broadway at Cedar St.**

**MIDTOWN: 297 Madison Ave. at 41st St.**

**BROOKLYN: 209 Montague St.**

**LONG ISLAND CITY: Bridge Plaza North**

**JAMAICA: 161-19 Jamaica Ave.**

# Kings County Trust Company

City of New York, Borough of Brooklyn

Capital \$500,000 Surplus \$4,000,000 Undivided Profits \$512,000

JULIAN D. FAIRCHILD, *President*

JULIAN P. FAIRCHILD, *Vice-President*

WILLIAM J. WASON, JR., *Vice-President*

HOWARD D. JOOST, *Vice-President*

THOMAS BLAKE, *Secretary*

CLARENCE E. TOBIAS, *Assistant Secretary*

ALBERT I. TABOR, *Assistant Secretary*

J. NORMAN CARPENTER, *Trust Officer*

ALBERT E. ECKERSON, *Auditor*

BROWER, BROWER & BROWER, *Counsel*

ACCOUNTS INVITED

INTEREST ALLOWED ON DEPOSITS



JULIAN W. POTTER

Late president of the Coal and Iron National Bank, New York, who was to have been president of the Fidelity Trust Company of New York, formed by the merger of the Fidelity-International Trust Company and the Coal and Iron National Bank, both of New York. Mr. Potter's death was due to pneumonia, following a long siege of typhoid fever.

at that time, the youngest bank president in New York. His death came at the end of a long siege of typhoid fever, followed by pneumonia.

## BONUS PLAN FOR EMPLOYEES

Harry A. Kahler, president of the American Trust Company and the New York Title and Mortgage Company, both of New York, announced recently that the

profit-sharing distribution to the employees of these companies would be the largest in their history, amounting to roughly 28 per cent. of the salaries. A sliding scale has been adopted, giving additional weight for length of service. Half of the 28 per cent. was paid as a Christmas bonus, and the other half was deposited in a trust fund



HARRY A. KAHLER

President of the American Trust Company and the New York Title and Mortgage Company, both of New York, which companies recently announced the largest profit sharing distribution in their history—28 per cent. of employes salaries.



## Two Buffalo Banks Unite

**M**ONDAY, December fourteenth, the Fidelity Trust Company and the Manufacturers and Traders National Bank, became the Manufacturers & Traders Trust Company.

**T**HIS merger results from the desire of the officers and directors of both institutions to augment their resources, service, and experience for the benefit of the fast growing businesses of Buffalo and Western New York.

**T**HE new institution will maintain the high ideals which inspired the founders and which have earned the faith and respect of the business houses of the community.

**Manufacturers & Traders Trust Company**  
Buffalo, N. Y.

*Resources More Than One Hundred Millions*



# GENERAL MOTORS ACCEPTANCE CORPORATION

*Executive Offices:*

250 West 57th Street, *New York City*

**T**HE obligations of this institution are selected as appropriate and sound mediums for short term investment by a large banking clientele. They may be obtained in convenient denominations and suitable maturities.

## DIRECTORS

*Alfred H. Swayne*  
Chairman—Vice President, General  
Motors Corporation.

*Curtis C. Cooper*  
President

*Albert L. Deane*  
Vice President

*Pierre S. duPont*  
Chairman, General Motors Corporation  
and E. I. duPont de Nemours & Co.

*Lamont duPont*  
Finance Committee, General Motors  
Corporation.

*O. H. P. LaFarge*  
General Motors Corporation  
Seward Prosser

Chairman, Bankers Trust Company,  
New York

*John J. Raskob*  
Chairman, Finance Committee, General  
Motors Corporation

*Alfred P. Sloan, Jr.*  
President, General Motors Corporation

*John J. Schumann, Jr.*

Vice President  
*Donald M. Spaidal*  
Vice President

for the benefit of the employes, which fund is invested in the stock of the New York Title and Mortgage Company. Each employe is to receive his share of the fund when he reaches the age of 60. The plan, which has been in operation for about three years, has already accumulated stock in the fund to the market value of nearly \$1,000,000.

W. Averill Harriman of W. A. Harriman & Co., New York, has been elected a director of the New York Title and Mortgage Company, New York.

Henry J. Rusk has joined the national title insurance department of the New York Title and Mortgage Company. Mr. Rusk is a graduate of the New York Law School, was admitted to the bar in 1903, and has served as district attorney of Putnam County, and as deputy attorney general in charge of title examination in connection with the New York-New Jersey vehicular tunnel, which latter position he resigned to join the New York Title and Mortgage Company.

## GUARANTY TRUST COMPANY'S EARNINGS

The statement of condition of the Guaranty Trust Company, New York, as of

December 31, 1925, shows undivided profits of \$6,884,933, a gain of \$346,255 since the last published statement, November 14, 1925; and a gain of \$2,518,547 since December 31, 1924. The company's deposits are \$547,357,752, an increase of \$42,253,840 since November 14, 1925; and total resources amount to \$679,607,926, a gain of \$75,068,482 since the last published statement.

The board of directors has declared a quarterly dividend of 3 per cent. for the quarter ending December 31, 1925.

## BABCOCK LEAVES GUARANTY TRUST, NEW YORK, FOR FLORIDA

Austin L. Babcock has resigned as assistant vice-president of the Guaranty Trust Company, New York, to become vice-president of the Bank of Bay Biscayne, Miami, Florida. He is a graduate of Colgate University and has been with the Guaranty Trust Company for about eight years, first in charge of its new business department, and later as assistant secretary and assistant vice-president.

The Bank of Bay Biscayne, in common with most of the Florida banks, has grown



## Where the Bell Flag Flies

**T**HE familiar blue and white flag of the Bell System flies over the buildings which house a vast equipment and thousands of men and women who are co-operating to give a national telephone service.

It symbolizes the ideals and spirit of service of the System's employees. It represents millions of miles of wire, millions of poles, hundreds of buildings, vast quantities of apparatus and equipment and other property that today has a book cost of over \$2,400,000,000.

The ideals and material assets behind this flag — a nation-wide plant for a nation-wide service — underlie Bell System securities.



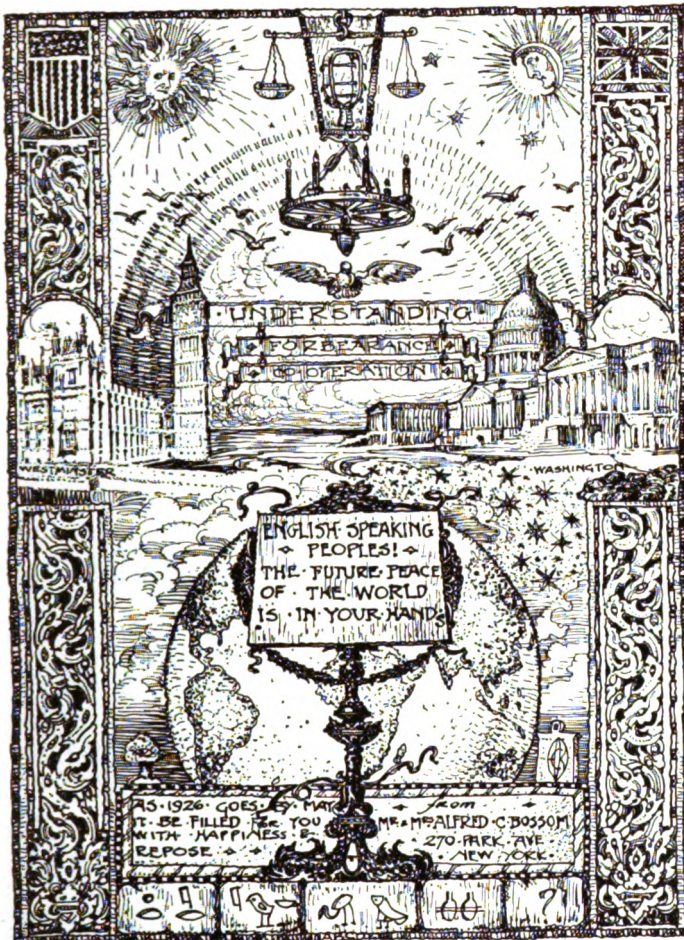
*The stock of the A. T. & T., parent company of the Bell System, can be bought in the open market to yield a good return. Write for information.*

# BELL TELEPHONE SECURITIES CO. Inc.

D.F. Houston, President  
195 Broadway NEW YORK



"The People's  
Messenger"



The Christmas card of A. C. Bossom, bank architect of New York, of which this is a reproduction, is an interesting study in symbolism. The keystone at the top carries the instrument denoting that life is always uncertain, but being below the scales, it is hoped that justice will prevail. Suspended from the key is a seven candled wheel to throw light on the globe below. The dove of love hovers above, sending little doves in all directions. The sun and moon, neither entirely happy, looking down, tell that days and nights make up the human span for mankind. That the greatest chance for peace among men lies in the hands of the English speaking peoples is shown by joining the Westminster Houses of Parliament and the Capitol at Washington by the rainbow of understanding, forbearance and co-operation. Symbolic emblems of the United States and the British Empire top the scrolls at each side. A human eye forms the center of each leaf in the Hindu everlasting scrolls, watching, watching with eternal vigilance. Finally, across the bottom, Egyptian hieroglyphics carry the question "If thou findest wine, what shouldst thou do with it today?"

very rapidly recently, and has at present total resources of about \$60,000,000.

**HAMILTON NATIONAL, NEW YORK, INCREASES CAPITAL**

The Hamilton National Bank, New York, is to increase its capital stock, in the near future, from \$1,000,000 to \$1,500,000. The stock of the bank and its affiliated corporations (the Hamilton Safe Deposit Company

and the New York Hamilton Corporation) was originally issued in units—one unit including one share in all three companies. The present issue, which will be in the form of 10,000 half-units, will, therefore, increase the capital of the other two companies in corresponding amount.

The bank has had a very gratifying growth since its organization in 1923, deposits standing on December 1, 1925, at



**Hare & Chase, Inc.**  
*Automobile Finance*  
 300 Walnut Street  
 Philadelphia



The name Hare & Chase has  
 fifty-eight years of business  
 prestige behind it

\$11,104,328, compared with the total of \$1,552,468 shown on April 3, 1923. It has two additional offices, a view of one of which is shown in the "Some Recent Bank Building Operations" section of this issue.

C. W. Korell, senior vice-president of the bank, has been elected a director. Charles L. Doty has been promoted from cashier to vice-president; August Enke has been promoted from assistant cashier to cashier; and Russell B. Reycraft, manager of the Bronx office has been made an assistant cashier. Miss Henrietta Fuchs has been elected assistant trust officer.

**CAPITAL INCREASE OF SEABOARD  
 NATIONAL RATIFIED**

At a meeting of the stockholders of the Seaboard National Bank on December 7, 1925, the proposed increase in capital stock to \$6,000,000, described in these columns in December, was ratified.

The regular quarterly dividend of \$4 per share was declared for the fourth quarter of

1925. This dividend applies to the increase in capital.

**CHARLES F. JUNOD**

Charles F. Junod, vice-president of the Bank of America, New York, died at his home on December 8, 1925, after an illness of several weeks. He was graduated from Knox College in 1905, and was for ten years thereafter connected with the Northwestern Mutual Life Insurance Company at Chicago, and Omaha. He came to New



**CHARLES F. JUNOD**

Vice-president Bank of America, New York, who died suddenly on December 8, 1925, after an illness of several weeks

York in 1915 with Kountze Bros., became vice-president of the Atlantic National Bank in 1919, and vice-president of the Bank of America in 1922. He was 46 years old.

**NEW GERMAN MARK FRAUD**

The Commerce and Marine Commission of the American Bankers Association has issued a warning that certain firms over the country are promoting the sale of German



**O**RGANIZED in 1900, the Franklin National Bank of Philadelphia has attained a remarkable growth through service to the banking and business interests of the United States.

Today, with ample resources and increased facilities gained through nation-wide and foreign connections, this bank is prepared to give, in even larger degree, the same efficient and courteous service as in the past.

Foreign banking in all its branches is transacted. Travelers' Letters of Credit are issued.

### OFFICERS

- J. R. McALLISTER**  
President
- J. A. HARRIS, JR.**  
Vice-President
- J. WM. HARDT**  
Vice-Pres. and Cashier
- E. E. SHIELDS**  
Assistant Cashier
- W. M. GEHMANN, JR.**  
Assistant Cashier
- M. D. REINHOLD**  
Assistant Cashier
- E. M. MANN**  
Assistant Cashier

## FRANKLIN NATIONAL BANK

PHILADELPHIA

|                     |   |   |   |   |   |             |
|---------------------|---|---|---|---|---|-------------|
| Capital             | - | - | - | - | - | \$2,000,000 |
| Surplus and Profits | - | - |   |   |   | 6,000,000   |

# YORK VAULTS

## *New York Federal Reserve Bank*

**The World's Largest and Strongest Vault Entrances**

The York Safe and Lock Company built and installed in the New York Federal Reserve Bank six (6) YORK Revolvable Vault Entrances, each 10 feet in thickness, the climax of mechanical genius and ingenuity.

In addition to the New York Federal Reserve Bank YORK has built at its factory in York, Pennsylvania, vaults for Federal Reserve Banks in the following cities :

|                     |                   |                     |
|---------------------|-------------------|---------------------|
| <i>Cleveland</i>    | <i>Boston</i>     | <i>Buffalo</i>      |
| <i>Philadelphia</i> | <i>Pittsburgh</i> | <i>Detroit</i>      |
| <i>Chicago</i>      | <i>Louisville</i> | <i>Jacksonville</i> |
| <i>Minneapolis</i>  |                   | <i>Little Rock</i>  |

YORK vaults are used by the U. S. Government, Clearing House Associations, and many of the leading Banks throughout the country.

Correspondence with nearest branch is welcomed by our Engineering department with banks contemplating new or enlarged vaults.

**Principal Builders of High Grade Vaults**

## **YORK SAFE and LOCK CO.**

**55 Maiden Lane**

**New York**

### *Branches*

|                  |                |                      |                  |
|------------------|----------------|----------------------|------------------|
| <i>New Haven</i> | <i>Boston</i>  | <i>Philadelphia</i>  | <i>Baltimore</i> |
| <i>Cleveland</i> | <i>Chicago</i> | <i>San Francisco</i> |                  |

# *New Accounts Secured Now*

by experts under bond  
85% of service fee payable a year  
later if account is satisfactory

**JEFFCOTT & COMPANY**

**Philadelphia Bank Bldg.,  
Phila., Pa.**

securities by representing that both pre-war and post-war paper mark bonds can be revalued on the basis of 15 per cent. or more of their face value. As a matter of fact, the revaluation is computed on the gold mark value of the respective securities. For bonds issued before January 1, 1918, the gold mark value is considered the same as the face value; but for bonds issued after that date, the gold mark value must be computed according to the value of the paper mark at the time the security was issued.

For example, it is being represented that on United German Mortgage Bonds of 1923, with a face value of 10,000,000 marks, the 15 per cent. revaluation will be computed on this amount. Under the law, however, the computation of this 15 per cent. must be based on the gold mark value of the bonds, which would be only 237 marks for each 10,000,000 of face value in paper marks.

Bankers can render good service to their patrons by making these facts known to those of their patrons who are interested in German securities.

## **FEDERAL RESERVE BANK OF NEW YORK DIRECTORS**

Jackson E. Reynolds, president First National Bank of New York, has been elected a Class A director of the Federal Reserve Bank of New York; and Owen D. Young, chairman of the board of the General Electric Company, has been elected a Class B director.

## **MAXWELL HEADS NEW CENTRAL NATIONAL, NEW YORK**

Archibald F. Maxwell has accepted the presidency of the recently opened Central

National Bank, New York, resigning as vice-president of the National Bank of Commerce in New York. He came to the National Bank of Commerce in 1913 after considerable banking and commercial experience in Pittsburgh. He has been



● PHOTO BY MARCEAU

**A. F. MAXWELL**

Who has resigned as vice-president of the National Bank of Commerce in New York, to become president of the recently opened Central National Bank, New York.

active in banking affairs in New York, having served as president of New York Chapter of the American Institute of Banking and as vice-president and director of the New York Credit Men's Association. For several years he has lectured and di-

# No Doubt *about American Express' Helpful, Personal Service to Travelers*

**B**ANKS selling American Express Travelers' Cheques extend a far greater service to their travel patrons than the mere protection of traveling funds. It is a service which begins with the planning of any trip, extends thru the details of preparation, covers all contingencies on any journey anywhere by land or sea, and ends only with the traveler's arrival home safe and happy.

90% of American travelers in foreign lands, it is estimated, are sure to go to American Express offices some time on their trip for help or advice. And wherever it is physically possible they are sure of satisfaction.

Just how great that service is, how helpful, how varied, how constant and far-reaching, only those who have used it know and appreciate. Many most sincere letters emphasize the facts:

**Americans always at Home where there is an American Express Office:**—"I do not know what the American traveler abroad would do without this helpful service of yours. It is certain that his path would indeed be a rough and rugged one."

**With Macmillan in Labrador:**—"As a member of the Macmillan Arctic Expedition, the past summer, I found your American Express Travelers' Cheques very useful. They were cashed without question by the Moravian Mission which maintains a small store at Hopedale, Labrador, thus facilitating the purchase of Esquimaux clothing and boots."

**Flowers to Constantinople:**—"I desire to express my deep appreciation for your courtesy in accepting the commission to deliver some flowers to my wife in Constantinople, and also to congratulate you and your Company upon the wonderfully efficient organization you possess. '.....' under whose auspices the Tour is conducted, could do nothing for me. Four leading florists were consulted without success and when I received a cable saying 'Flowers received' I felt as though every one ought to know the American Express."

**Tact, Efficiency, Kindness:**—"As former ambassador of the United States, as a fairly wide traveler, and as a friendly client, may I express my great appreciation of the

courtesy and efficiency of your Rotterdam office. I called there a few days ago, unknown, at closing time, with a letter of credit and a long distance emergency telephone call to be sent to Brussels. The tact, efficiency and kindness of that staff deserve from me this acknowledgment."

**Better than Money Anywhere:**—"It may interest you to know that in cruising around the world I found your Checks readily taken in Japan, China and India by smallest traders. In Yokohama a pedlar on wharf took a \$10 check for a kimono. At Shanghai one on boat going out to ship sold me a mandarin's coat for \$10 check. Same thing at Hong Kong."

**Helping Uncle Sam Abroad:**—"Your company is building up an admirable business in Europe. Everywhere I found yours a most popular institution rendering a fine service to tourists. I heard a great many compliments regarding your service. Your American name is helping largely to give Uncle Sam a fine reputation abroad."

**A Helpful Personal Interest:**—"I greatly appreciated the courtesy which you showed me in handling the details entailed in cabling the money to the Argentine. It is a rare experience to find so large a corporation as yours giving a customer a feeling of personal interest."

**American Express Co.**  
**65 Broadway, New York**

OFFICES IN ALL THE PRINCIPAL CITIES

rected courses in credits at the A. I. B.

The Central National Bank opened for business about the middle of January in the new Central National Bank building

**CHASE NATIONAL BANK'S GAINS**

The statement of condition of the Chase National Bank, New York, as of December 31, 1925 shows total resources of \$638,050,-230, as compared with \$555,465,879 in the statement of September 28, 1925. The company has deposits of \$564,608,785, compared with \$478,081,888 on September 28, 1925; and surplus and profits of \$27,178,043, compared with \$26,895,767 on September 28, 1925.

**NEW YORK CHAPTER, A. I. B.,  
BEGINS RADIO TALKS**

As part of the public education campaign of the American Bankers Association, New York Chapter, Inc., of the American Institute of Banking has inaugurated a series of talks on banking activities, to be broadcast from radio station WGBS. The first address, on "The Bankers' Function in the Community," by G. A. O'Reilly, vice-president Irving Bank-Columbia Trust Company, New York, was broadcast January 5. Others will follow on Monday evenings during January and February.

**WARDER SUCCEEDS McLAUGHLIN  
AS NEW YORK STATE BANKING  
DEPARTMENT HEAD**

George V. McLaughlin, Superintendent of Banks of the State of New York, and president of the National Association of Supervisors of State Banks, has resigned to become police commissioner of New York City. Mr. McLaughlin had

**UNIQUE  
THIN LEAD  
Colored  
Pencils**

*Useful to everyone*

Accountants  
Bank Clerks  
Executives  
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etc.

*The first thin lead colored pencil ever produced.*

Blue - 1206  
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*By the makers of the famous  
VENUS Pencils*  
AMERICAN LEAD PENCIL CO.  
212 Fifth Avenue, New York

**FOR CHECKING,  
UNDERSCORING AND  
MARKING ON BLUE PRINTS**

served in this position through the terms of three governors. He has been succeeded by Frank H. Warder, New York, who has been fourth deputy superintendent of the state banking department for the last two years.

**SAILORS NO LONGER SPENDTHRIFTS**

The recent compilation of savings deposits in the seamen's savings department of the Seamen's Church Institute, New York, indicates a change in the old spendthrift habits of men who follow the sea. Since 1918 the number of depositors in the institute has increased from 4203 to 6000, and the amount on deposit has increased from \$210,524 to over \$510,000.

**HAWXHURST MAKES CHANGE**

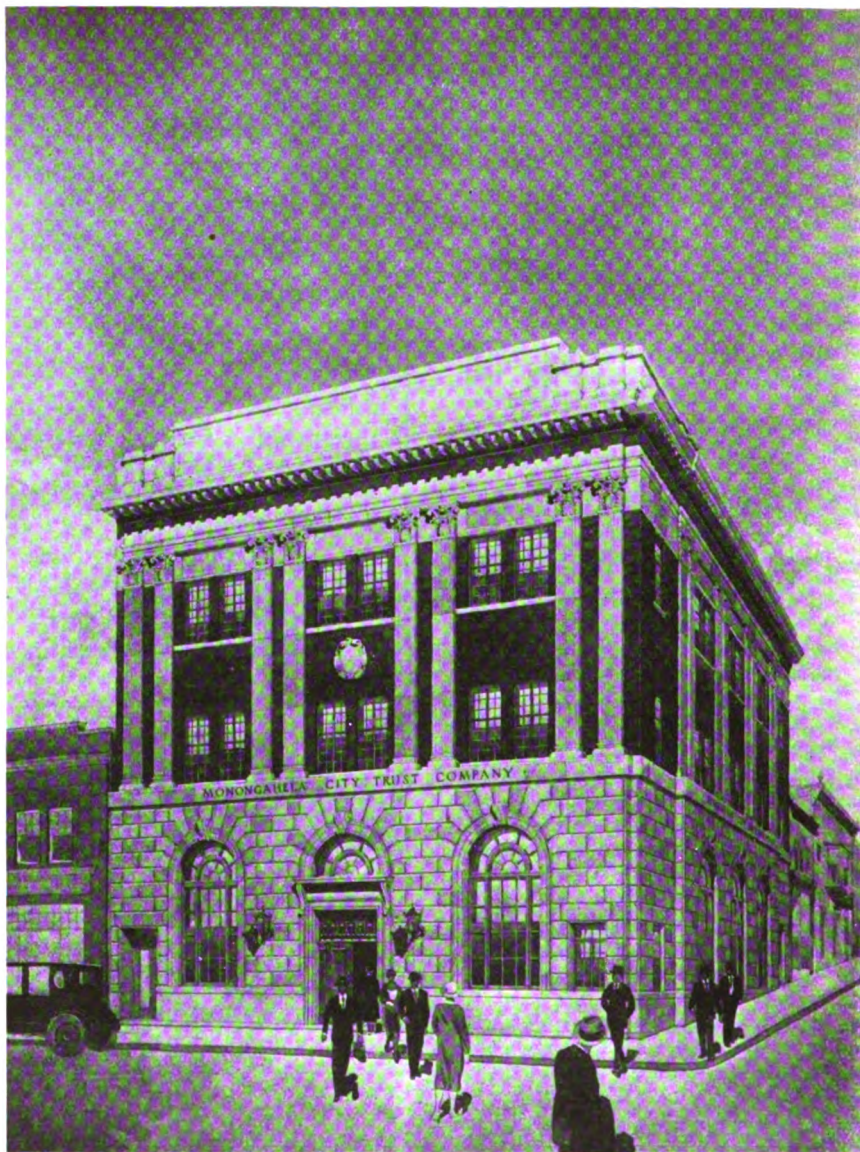
Stephen R. S. Hawxhurst has left the Irving Bank-Columbia Trust Company, New York, to become associated with Gordon B.

Hundreds of bankers said it couldn't be bettered — but Reed made it better.

— Send for and see Reed's Mass color Plan for 1926.

**P. M. REED**  
Banker Associates

TRIBUNE TOWER CHICAGO



MONONGAHELA CITY TRUST COMPANY  
MONONGAHELA, PA.

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**MORGAN, FRENCH & CO., INC.**  
ARCHITECTS AND ENGINEERS

19 WEST 44<sup>TH</sup> STREET  
NEW YORK

Established 1837

# ADRIAN H. MULLER & SON

55 WILLIAM STREET

(Corner of Pine Street, New York)

## STOCKS AND BONDS AT AUCTION

*Regular Auction Sales of all Classes of Securities Every Wednesday*

The Business of Banks, Bankers, Investors and Dealers in Securities Receives Prompt and Careful Attention

Todd & Co., New York, where he will specialize in handling bank and insurance stocks.

Mr. Hawxhurst was with the Mechanics and Metals National Bank, New York, previous to his connection with the Irving Bank-Columbia Trust Company.

Mr. Morris was born in New York City on November 26, 1882, and received his early training in the mercantile business and as a newspaper reporter. From 1909 to 1921 he was with the Farmers' Loan and Trust Company, New York, as assistant to

### ALL-RUSSIAN TEXTILE SYNDICATE STATEMENT

The statement of the All-Russian Textile Syndicate, Inc., New York, as of September 30, 1925, shows total resources of \$13,917,659, bank acceptances discounted (secured) \$5,100,000, capital \$1,000,000, cash in banks and on hand \$3,709,352, and cotton in transit (pledged) \$10,201,257.

The All-Russian Textile Syndicate, Inc., was organized in December 1923 for the purpose of financing the export of cotton, textile machinery and dyes for the use of the Russian textile industry. Since its organization, this syndicate has shipped 520,493 bales of cotton, has made total purchases from date of organization to December 12, 1925 of \$96,500,000, and has chartered fifty-five steamers. Fritz F. Kilevitz is president of the syndicate, N. M. Matveyeff is vice-president, and Alex Gumberg is vice-president and treasurer. The syndicate is the United States representative of the All-Union Textile Syndicate of Moscow, U.S.S.R.

### MORRIS JOINS MANUFACTURERS TRUST, NEW YORK

Joseph L. Morris has resigned as credit manager of the Federal Reserve Bank of New York, to become a vice-president of the Manufacturers Trust Company, New York.



JOSEPH L. MORRIS

Who recently resigned as credit manager of the Federal Reserve Bank of New York to become a vice-president of the Manufacturers Trust Company, New York

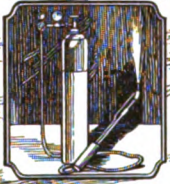
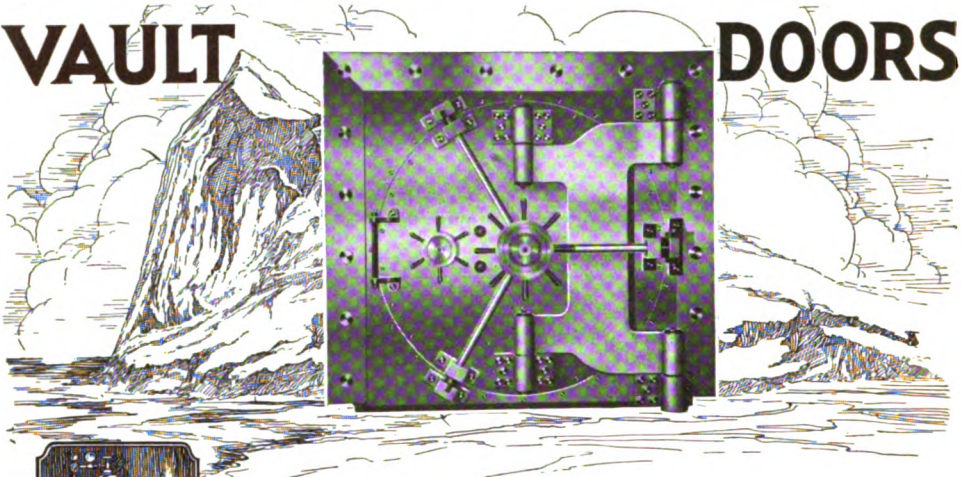
J. Herbert Case. When Mr. Case became deputy governor of the Federal Reserve Bank of New York, Mr. Morris succeeded him as manager of the credit department of the Farmers' Loan and Trust, leaving that position in 1921 to go with the Federal Reserve Bank.



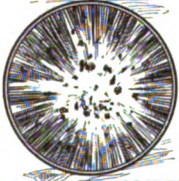
# M O S L E R

## VAULT

## DOORS



TORCH



EXPLOSIVES



DRILL

**Bank Vaults — like fortresses — should be built to resist all forms of attack.**

Independent tests — conducted by leading testing laboratories and technical institutions—have proven that MOSLER Vault Doors containing DONSTEEL will resist burglarious attacks by torch, explosive or drill.

No metals are comparable to DONSTEEL in this respect.

*Sold only by*

## THE MOSLER SAFE CO.

375 BROADWAY, NEW YORK, N.Y.

FACTORIES -- HAMILTON, OHIO.

*Branches in all principal cities*

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SEATTLE  
DALLAS

CHICAGO  
LOS ANGELES  
ATLANTA  
CHARLOTTE

KANSAS CITY  
SAN FRANCISCO  
NEW ORLEANS

**EAST RIVER SAVINGS DECLARES  
4½ PER CENT. DIVIDEND**

The trustees of the East River Savings Bank, New York, have declared a dividend of 4½ per cent. for the quarter ending December 31, 1925. Large earnings during the year have built up a surplus in excess of \$10,000,000—the largest surplus in relation to deposits, of any savings bank in greater New York—and, in accordance with the policy of the bank, depositors share in these large earnings. This is the fifth time since 1921 that the 4½ per cent. rate has been declared.

**MILLER BONDS TO BE  
GUARANTEED**

G. L. Miller & Co., real estate mortgage bond house, New York, announce the organization of the G. L. Miller Bond and Mortgage Guarantee Corporation, which will unconditionally guarantee prompt payment of principal and interest on the bonds issued by G. L. Miller & Co. The new corporation will maintain a twenty to one ratio between the total outstanding liabilities and its capital and surplus, and will underwrite no other risks than Miller bonds.

In announcing the plan, G. L. Miller, president of both companies said: "In offering this new guarantee provision, I wish to make it clear that it will not operate in any manner to lessen the strict, rigorous caution and utmost care which we exercise in testing and underwriting bond issues before we offer them to the public. We are not departing from the conviction that if a bond is amply secured by improved real estate of sufficient value, a guarantee is unnecessary and a luxury for the bondholder. We are simply providing investors with an extra service and convenience,

**Audits and Systems  
for Banks**

Our specialty is conducting efficient and thorough bank and commercial audits, and the installation of accounting systems for banks, trust companies, and foreign exchange departments.

**McArdle,  
Djörup & McArdle  
42 Broadway, New York**

should they desire to have their investments insured and are willing to pay for such insurance."

**GENERAL MOTORS ACCEPTANCE  
INCREASES CAPITAL**

The board of directors of the General Motors Acceptance Corporation, New York, has approved the issue of 45,000 additional shares of stock, to be sold, as heretofore to the General Motors Corporation at \$125 per share. This issue will increase total capital to \$13,500,000 and surplus to \$3,375,000. Total capital funds will stand at more than \$20,000,000.

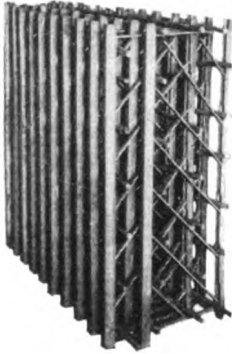
Commenting on the outlook for the first half of 1926, Alfred P. Sloan, Jr., president of General Motors Corporation, said: "I expect the consumer demand for automobiles to continue large while general business remains active. The volume of retail automobile sales for the first half of 1926 is expected to exceed that of the first half of 1925 by a fair margin."

Everyone but Reed was satisfied with Reed's Master Plan for '25.  
— Now send for and see Reed's Mass-color Plan for '26!

**P. M. REED**  
Banker Associates

TRINITE TOWER CHICAGO

# Protection for Valuables Through Dangerous Hours of Darkness



*Our handbook on Modern Bank Vault Construction contains much interesting information for bankers considering building or remodeling. Write for it.*

**V**AULT walls reinforced by the Rivet-Grip System give real protection during the hours when your bank is closed. No matter what tools the cracksman may bring to the attack, time is not sufficient for successful penetration.

Neither explosives, electric drills nor burning flame can pierce the intricate network of heavy Rivet-Grip steel embedded in thick walls of concrete.

So effectively did Rivet-Grip resist all modern implements of destruction in the Federal Reserve Tests at Sandy Hook, that it has since been adopted by many of the country's leading financial institutions, including eight Federal Reserve Banks.

Yet Rivet-Grip is so flexible of arrangement: so economical of construction that banks of any size may use it.

## The Rivet-Grip Steel Company

*Representatives in all principal cities*

2741 Prospect Avenue

Cleveland, Ohio

### BETHLEHEM STEEL EMPLOYES ALMOST ONE-THIRD OF TOTAL STOCKHOLDERS

Eugene G. Grace, president of the Bethlehem Steel Corporation, in a recent statement published in the *Bethlehem Review* pointed out that Bethlehem employes holding stock will soon represent one-third of the total number of stockholders. The price at which these shares were purchased is at the present time approximately \$16 per share under the market. Shares applied for by employes have a par value of almost \$9,800,000.

### FOREIGN DOLLAR BOND COMPARISONS

In 1914 the government dollar bonds of only six countries—Argentina, Russia, Japan, Mexico, Cuba, and the Dominican Republic—were listed on the New York Stock Exchange. At present thirty-three foreign governments are so represented, including practically every country of major importance in the world today, according to a recent compilation made by Redmond & Co., New York. This compilation, which

is in the form of a chart, includes fundamental statistics on the finances, commerce and general development of these countries, together with similar figures for the United States.

### CADMUS SUCCEEDS WALTER IN PATERSON BANK

Colonel Wilmer A. Cadmus, who has been first vice-president of the National Bank of America, Paterson, N. J., since its organization, has been elected president of the bank, to succeed William E. Walter, who has resigned because of ill health.

The bank has installed a night banking service similar to that which has been installed in numerous banks of late. A complete description of this service will be found in the June 1925 issue of *THE BANKERS MAGAZINE*, page 1107.

### HARRIS FORESEES CONTINUED PROSPERITY

"The coming year," said C. Addison Harris, Jr., president of the Franklin Trust Company, Philadelphia, Pa., in a recent public statement, "should witness the con-



# Look Ahead!

*Will heat-leaking houses be sound collateral five years from now?*

**T**HE leading authorities in the building field agree that the practice of building heat-leaking houses is soon to end.

Many say in five years. But perhaps in four years, or three, heat-leaking houses will be out-of-date. Nobody will want to *live* in such a house. Nobody will want to *buy* or *rent* such a house. Nobody will *think* of *building* such a house.

Who will want to loan money on such a house?

Celotex Insulating Lumber has made it *practical* to build houses winter-warm, saving of fuel—summer-cool—quiet—stronger. Used in outside walls, as sheathing, or in inside walls under plaster, Celotex gives those great advantages at little or no extra cost. It is the *only* effective insulation that adds great strength and is not an extra item in the building. Naturally, Celotex homes are better collateral. They cost less for upkeep—require less fuel to heat—have less depreciation—and readily sell or rent at a good price.

Already more than 60,000 progressive families have built with Celotex. The Celotex Company produces more insulation used for general building purposes than all other insulation manufacturers combined.

Ask your architect, contractor or lumber dealer to tell you more about Celotex. Leaders in these lines recommend its use. Have your secretary write for a copy of The Celotex Building Book. It explains house insulation fully.

**THE CELOTEX COMPANY, CHICAGO, ILLINOIS**

Mills: New Orleans, La.

*Branch Sales Offices in many principal cities  
(See telephone books for addresses)*

**CELOTEX**  
INSULATING LUMBER





**THE CONSOLIDATED  
EXPANDED METAL COMPANIES  
BRADDOCK, PA.**

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| <i>Branch Offices</i>                       | <b>MINNEAPOLIS</b><br>Builders Exchange   |
| <b>PHILADELPHIA</b><br>1075 Germantown Ave. | <b>DETROIT</b><br>Majestic Building       |
| <b>PITTSBURGH</b><br>Oliver Building        | <b>CLEVELAND</b><br>450 Leader-News Bldg. |
| <b>CHICAGO</b><br>1234 W. Washington Blvd.  | <i>Foreign Sales Office</i>               |
| <b>NEW YORK CITY</b><br>103 Park Ave.       | 152 West 42d St., N.Y.C                   |

tinuance of one of the most successful periods in the history of American business and industry.

"With production tempered to the possible consumption of the trade and with the settling of the coal strike, the one dark cloud on the industrial horizon, we believe the next six months should show unprecedented prosperity.

"The year 1926 will most certainly be a year of great opportunity for those who avoid overbuying, overproduction, and follow a policy of aggressive procedure."

**THE EFFECT OF ABUNDANT  
CREDIT**

Writing on the above subject in the December number of *The Corn Exchange*, monthly magazine of the Corn Exchange National Bank, Philadelphia, Pa., Richard Spillane said:

"Never in the history of the New York Stock Exchange has there been greater speculative activity than this year. Coincident with the stock market boom, there

is the boom in Florida land, a real estate boom in New Orleans, Detroit, Chicago, Dallas, Cincinnati, Long Island, a dozen counties in New Jersey, and various parts of the republic. There has been great improvement in the agricultural situation." These booms, he warns, are the result of abundant credit, and probably cause the situation to hold much that is disturbing. Was A. C. Miller not correct, he asks, when he said last month that it is time to call a halt? Bankers will do well to consider these facts thoughtfully.

**FIDELITY TRUST-MANUFACTURERS  
TRADERS MERGER**

The Fidelity Trust Company and the Manufacturers Traders National Bank, both of Buffalo, N. Y. formally merged on December 14, 1925, under the name of the



**LEWIS G. HARRIMAN**

President of the Manufacturers and Traders Trust Company, Buffalo, N. Y., formed by the merger of the Manufacturers Traders National Bank, Buffalo, N. Y., with the Fidelity Trust Company, Buffalo, N. Y., of which latter institution Mr. Harriman was president.

Manufacturers and Traders Trust Company.

Harry T. Ramsdell, for more than sixty years associated with the Manufacturers Traders National Bank, and formerly its president, becomes chairman of the board. Lewis G. Harriman, formerly president of

## “The Value of Fresh Air”

Winter is the time for intensive business. Preventable sickness, absenteeism and inefficiency cause serious losses. Greater profits result if your employees breathe pure air.

Vacations with pay for your employees are an investment in health and ambition. The investment will soon be lost unless a healthful atmosphere is maintained during the cold season.

Modern science demands ventilation with cool, fresh air. By the Gerdes Method of Ventilation healthful and invigorating *unheated* fresh air is diffused without causing draft or chill. A booklet fully describing this method and giving references of the highest character will be sent on request.

### Theodore R. N. Gerdes, M. E.

Engineer, Manufacturer, Contractor

105-107 Bank Street, New York City

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GERDES  
METHOD

the Fidelity Trust Company, becomes president of the merged institution.

With few exceptions the personnel of the two banks remains intact. The position of chairman of the finance committee is created, and will be filled by Robert W. Pomeroy, who has been closely identified with the Fidelity Trust for a number of years, and who is a director of the merged bank.

John M. Davis, president of the Delaware, Lackawanna & Western Railroad Company was elected a member of the board. Four other new directors were chosen: George H. Hallen, vice-president of the American Brass Company; Ralph Hochstetter, president of the Cliff Petroleum Company; Paul A. Schoellkopf, president of the Niagara Falls Power Company; and Leonard A. Yerkes, president of the Dupont Rayon Corporation.

#### MARINE TRUST-BUFFALO TRUST MERGER

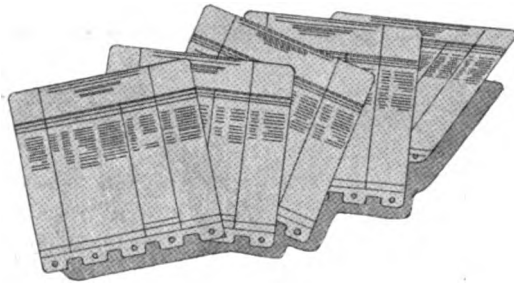
The Buffalo Trust Company, Buffalo, N. Y., has been unified with the Marine Trust Company of the same city, under the name of the Marine Trust Company of

Buffalo, N. Y. The new institution has capital of 10,000,000 and resources of more than \$200,000,000.

Elliott C. McDougal, for the last five years president of the Marine Trust Company, will be chairman of the board. George F. Rand, son of the former president and chairman of the board of the Marine Trust Company, will be president of the new bank.

The Marine Trust Company will reduce its capital stock to \$10,000,000, consisting of 200,000 shares of \$50 par value. The amount by which the capital is reduced will be added to surplus. One and four-tenths shares of the new stock will be given for each existing share of stock of the present Marine Trust Company, and 1.7 shares for each share of the present Buffalo Trust Company. Fifty dollar shares are provided in order to make possible a wide distribution of the stock.

The Marine Trust Company opened its doors on August 15, 1850 as the Marine Bank of Buffalo. It entered the national banking system in 1902, becoming the Marine National Bank. In 1918, control



# Post 5 accounts where you now post 4

... how the New Dalton "MULTIPLEX" Bank Ledger  
Posting and Statement Machine speeds bank bookkeeping

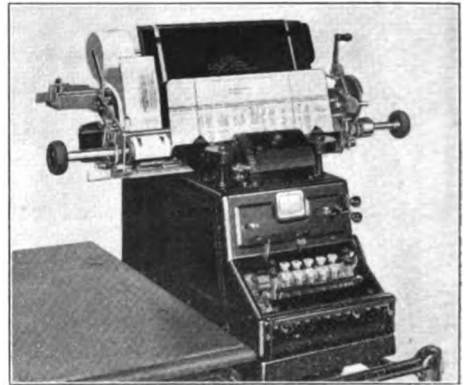
**T**WENTY-FIVE or more per cent more work accomplished in a given time! Five or more ledger accounts posted in the time ordinarily required to post four! No wonder bankers everywhere are welcoming the New Dalton "MULTIPLEX" Bank Ledger Posting and Statement Machine!

Besides, the machine offers these other fundamental advantages:

1. Simplicity—anyone can operate it.
2. Visibility—all work immediately before and within easy range of operator's line of vision.
3. Durability—the machine is so simply, so durably made that little mechanical service is ever needed.

Then consider these posting advantages, all exclusive with this new Dalton model:

4. The machine checks its own work, enabling the bank, if it so desires, to eliminate the expensive "call-back" system.
5. Overdraft balances, including the date, are automatically printed in RED.
6. Position of paper carriage facilitates injection and removal of sheets.
7. Improved automatic carriage return eliminates vibration and makes this model exceedingly quiet in operation.



But write for booklet, describing all the advantages of the New Dalton "MULTIPLEX" Bank Ledger Posting and Statement Machine. Or phone the nearby Dalton Sales Agent and have him tell you about it. The machine is readily adaptable to any posting system — it can be used alone or in conjunction with other equipment.

# Dalton

Adding-Calculating . Bookkeeping . Statement and  
"Cash Register" Machines

THE DALTON ADDING MACHINE SALES COMPANY  
Cincinnati, Ohio, U. S. A.

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Sales Agencies in ALL the Principal Cities of the World

passed to the elder Mr. Rand and Seymour H. Knox, and the Columbia National Bank was United with the Marine National Bank. In 1919 the Marine National Bank, the Bankers Trust Company, and the Central National Bank united as the Marine Trust Company. Mr. Rand instituted the system of branches, the development of which has provided the bank with the thirty-four offices it has today. In 1920, the Marine Trust joined with the Bank of Buffalo.

The Buffalo Trust Company, originally incorporated in 1881 as the Buffalo Loan, Trust and Safe Deposit Company, was the first trust company in western New York. Its growth was steady and conservative, but its greatest development came after 1921 when the younger Mr. Rand acquired a substantial stock interest. Since that time its deposits have increased from \$15,000,000 to more than \$50,000,000, and its resources from \$20,000,000 to more than \$60,000,000.

The new Marine Trust Company of Buffalo will be one of the twenty-five largest banks in the United States.

POSTCARLS—something entirely new offered as a part of Reed's Mass-color Plan for 1926; Send and SEE!

**P. M. REED**  
 & Banker Associates

TRIBUNE TOWER  CHICAGO

REPORT OF CHEMICAL NATIONAL BANK, NEW YORK

"The year just closed has been the best in the history of the bank," said Percy H. Johnston, president of the Chemical Na-



PERCY H. JOHNSTON

President of the Chemical National Bank, New York, whose annual report to the stockholders shows very satisfactory progress during the last year



JANSEN NOYES

Senior partner of Hemphill, Noyes & Co., New York, recently elected a director of the Chemical National Bank, New York

tional Bank, New York, in presenting his annual report to the stockholders.

"Notwithstanding the fact that low interest rates were in effect during the early months of the year, we have added to our surplus fund \$1,000,000 and to our undivided profits account \$26,555. While earnings of the commercial banking department



were not as large as they have been in some years, due to low money rates, this deficiency was more than made up in the earnings of the foreign, bond, trust and other departments. The bank is now efficiently organized, and all departments are operating successfully and at a profit.

"One of the outstanding developments of the last year has been the substantial growth of the trust department. Practically all the officers and directors and many of the shareholders and customers have appointed the bank in a fiduciary capacity.

"The foreign department has shown a most satisfactory development and its steadily increasing business has made it to the interest of the bank to open an office in London.

"The two additional offices opened in 1924 have both exceeded our expectations, and are both operating at a profit.

"We regard the general business situation as being fundamentally sound, and we anticipate another good business year, provided the speculative excesses which have recently become pronounced in certain directions are curbed before it is too late."

The statement of condition of the bank at the close of business December 31, 1925, showed loans and discounts of \$116,945,584, capital surplus and undivided profits of \$22,550,664, deposits of \$162,632,897, and total resources of \$199,857,664.

Jansen Noyes, of Hemphill, Noyes & Co., New York, was elected a director of the Chemical National at the recent meeting of the board. Mr. Noyes was born in Dansville, N. Y., on November 1, 1884, and educated in the Dansville High School, Lawrenceville Preparatory School, and Cornell University, from which last he was graduated in 1910. After serving his apprenticeship in Wall Street, in 1915 he was active in the formation of Hemphill, White & Chamberlain, which after the war became Hemphill, Noyes & Co. He is a director in numerous other companies.

#### UNITED STATES MORTGAGE AND TRUST COMPANY, NEW YORK, INCREASES SURPLUS

The board of directors of the United States Mortgage and Trust Company has authorized the transfer of \$1,000,000 from undivided profits to surplus account, increasing the latter to \$4,000,000.

The regular quarterly dividend of 4 per cent. has been declared for the fourth quarter of 1925.

Additional compensation amounting to 10 per cent. of salaries paid during 1925 was voted to the officers and employees.

The company is distributing its 1926 calendar, the sixteenth of a series illuminated



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JOHN W. PLATTEN

President United States Mortgage and Trust Company, New York, which has recently increased its surplus from \$3,000,000 to \$4,000,000

with historical paintings by E. Percy Moran. The subject for 1926 is "Reading the Declaration of Independence, New York City, July 9, 1776."

Harry W. Hadley has been elected vice-president and assistant treasurer.

#### FIRST NATIONAL, PHILADELPHIA, PROMOTES SMITH AND DAVIS

Thomas W. Smith and Austin W. Davis have been appointed assistant cashiers of the First National Bank, Philadelphia, Pa. Mr. Smith entered the Merchants National Bank, Philadelphia, in 1900, becoming an employe of the First National when the Merchants National was merged with the First National in 1910. Before the present promotion he was manager of the credit department.

Mr. Davis has been with the bank since 1900. He is active in the work of the American Institute of Banking and the

Pennsylvania Bankers Association, being a member of the executive committee of the latter organization.

#### CHANGES AT EQUITABLE TRUST, NEW YORK

F. W. Black, formerly assistant vice-president Equitable Trust Company, New York, has been elected a vice-president of the company. He has also been elected a director of the Equitable Eastern Banking Corporation, which takes care of the Equitable Trust Company's Far Eastern business. M. S. Bausch, formerly manager of the foreign department Equitable Trust Company, has been appointed an assistant vice-president.

Mr. Black was born in Calais, Maine, and after several years of banking experience in the Calais National Bank there, he became bookkeeper of the Jarvis Conklin Mortgage Trust Company, Kansas City, Mo. When this company moved its headquarters



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FRANK W. BLACK

Recently advanced from assistant vice-president to vice-president of the Equitable Trust Company New York

to New York, he came along, and when it was reorganized as the North American Trust Company, he was made auditor of the new company. In 1898 he went to Cuba for the company and established offices in

## Light and Power Utilities

Specializing in organizing and extending plants, including the planning of new layout and equipment. All work done promptly and well.

### Harold A. Danne

*Engineer*

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Havana and Santiago. These offices later became the National Bank of Cuba. In 1912, he decided to go into the bond business, and formed a partnership with C. E. Mitchell, now president of the National City Bank, New York, and Frank L. Hilton, now vice-president of the Bank of the Manhattan Company, New York. When the firm was dissolved, in 1916, Mr. Black joined the Equitable staff and served for ten years in the foreign department as executive manager, manager, and assistant vice-president.

#### BOWERY AND EAST RIVER STATEMENT

The first published statement of the Bowery and East River National Bank of New York (which is the name of the new bank formed by the merger of the East River National Bank and the Bowery Bank, New York, noted in these columns in September, 1925) shows loans, discounts and acceptances of \$28,101,508, cash on hand of \$83,318,365, deposits of

\$54,618,927, and total resources of \$68,958,980. The new bank has eleven offices in greater New York.

#### EMPIRE TRUST STATEMENT

The statement of the Empire Trust Company, New York, as of December 31, 1925, shows an increase in deposits of \$10,435,027 over the statement of November 14, 1925. Deposits now stand at \$80,747,875, as against \$70,312,948 on November 14. Surplus and undivided profits amounted to \$3,812,979 on December 31, as against \$3,806,928 on November 14. During the period between November 14 and December 31, earnings increased, according to the statement \$246,051. This increase is believed to be due to the profit on the sale of the Vanderbilt house on Fifth avenue, which the bank originally purchased as a site for its uptown office.



## New England States

*Comprising Maine, New Hampshire, Vermont, Massachusetts, Connecticut, and Rhode Island.*

#### CONVENTION DATE

New England Bankers Associations—at New London, Conn., June 18-19.

#### BUCKLIN SAYS BOSTON NEEDS BETTER CALL MARKET

Walter S. Bucklin, president of the National Shawmut Bank, Boston, has sent the following letter to the leading stock exchange houses in Boston, in the hope of developing a better and broader call money market in Boston:

"You will agree with me that if it is possible to do so, we should establish a more active and broader call money market in Boston. With this in mind, I have recently spent considerable time investigating the handling of call loans in New York through the Stock Clearing Corporation.

"As you know, the renewal rate is made in New York at 10.40 a. m. and the rate is reviewed at least hourly thereafter. The changes in rates are made largely in accordance with supply and demand.

"We could, of course, adopt the New York rates here for loans on New York col-

lateral and the collateral could be deposited here in Boston or with New York banks when that is more convenient. So far as the Shawmut Bank is concerned, we shall be very happy to do this, and we feel quite confident that other Boston banks would do likewise, provided it is felt that it would be in the interest of the members of the Boston Stock Exchange to do so.

"It will be necessary to determine whether the success of the plan might not depend somewhat upon the Boston Stock Exchange adopting plans for clearing loans as well as stock. There are other matters which perhaps should be considered, such as the desirability of adopting term settlements, whether we should eventually have an active independent call money market here, etc.

"My thought in dropping you this line is to get your views on the subject, and if you think it is desirable, I shall be most happy to arrange a meeting of two or three of the Boston banks with a small committee of members of the Boston Stock Exchange to see if some real results can be accomplished.

"I think we should all be helped by the views of Governor Harding, who said at the annual dinner of the members of the stock exchange that he thought this situation should be improved, and we are greatly indebted to him for starting us all thinking about it."

#### FIRST NATIONAL OF BOSTON'S CHRISTMAS PARTY

At the Christmas party of the First National Bank of Boston, held on December 21, 1925, hundreds of packages of toys, clothing and other gifts were given to the needy children of Boston. The money for the gifts was raised by a minstrel show given by the employes of the bank and by contributions by the bank's staff. The Firnabank Club, under whose auspices the party was given, is well known for this sort of helpful service, having done much to help the soldiers and sailors during the war period.

#### STABILIZING THE INVESTOR'S INCOME

For a number of years—in fact since 1912, when a number of economists contributed to a book, "How to Invest When Prices are Rising"—the "safety" of bonds,

as compared to common stocks has been questioned. In the last few years, a great deal of attention has been given to the subject, as evidenced by the number of books published on it—"Stock Investments" by Robert W. Pomeroy; "Common Stocks as Long-Term Investments" by Edgar L. Smith; and "Investing in Purchasing Power" by Kenneth Van Strum. The proposition which these books have set out to prove, and proved fairly conclusively, is that money invested in carefully selected common stocks gives a better yield over a term of years than money invested in bonds, and this includes all losses on the common stocks. Furthermore, the return on the common stocks varies in close correspondence with the purchasing power of money, giving the investor therein what is called "stability of purchasing power."

This fact seems to have been suddenly recognized in New England. The evidences of it are two; the recent organization of the New England Investment Trust, Inc., in Boston; and the issue of a block of "stabilized bonds" by the Rand Kardex Company, Inc.

The organization of the New England Investment Trust is not so much of a novelty. Investment trusts in this country are a comparatively recent growth, but they are by this time fairly common. This differs from the majority of them only in the fact that it is organized for investment of its funds in common stocks instead of in bonds, as is the usual procedure.

The "stabilized bond" of the Rand Kardex Company, however, is distinctly a novelty. The idea has been used before, in the colonial period of our country when currencies were so depreciated, and more recently by Joseph Caillaux, while Finance Minister of France, in his 4 per cent. loan based on foreign exchange. But the form of the "stabilized bond" based on purchasing power is certainly new.

The bond begins with the promise to pay to the registered holder thereof "such sum of money as shall possess the present purchasing power of \$1000, with interest thereon at the rate of 7 per cent. per annum, payable quarterly on January 1, April 1, July 1, and October 1, in such sums as shall, at the respective times of payment, equal in purchasing power 1.75 per cent. of said purchasing power of \$1000, all to be based upon an index number of the prices of com-

## New Idea Increases bank deposits by millions

THERE is now appearing in the leading national magazines an immense educational program on banking. Every month these articles are read by 20,000,000 people whose incomes are sufficient to be desirable depositors.

*In your community this plan benefits YOU*

Men and women in your city are reading this advertising because it is intensely interesting. It shows them the important part their bank plays in making them financially independent. It is creating new bank depositors in every locality in America. *It is making present customers decidedly more valuable.*

At the same time these 20,000,000 people are being shown the protection from fraud which Super-Safety Bank Checks give. And what ordinarily is an item of merely bank supplies—just checks—now is given a business building value.



*Other ways to increase deposits*

So that you may receive in your locality the greatest possible benefit from this national campaign, we offer you without charge a very remarkable plan. A complete year 'round advertising campaign for you to run in your own local papers over your own name.

One of the leading advertising organizations in America prepared this material. You could not possibly obtain it in any way other than through our co-operation. It includes many business building plans which have been tested and proved profitable by leading banks. Some have increased their deposits by thousands of dollars.

Let us tell you about these plans more fully. How they will help your own bank. Write immediately.



**BANKERS SUPPLY COMPANY, Division  
THE TODD COMPANY**  
5951 So. State Street  
*Business-Building Merchandise for Banks*  
New York Rochester CHICAGO Denver Dallas

modities defined and fixed in accordance with the amplified statement below."

The index number to be used is that of wholesale prices issued by the United States Bureau of Labor Statistics, and in the amplified statement referred to, a schedule of payments is set forth when the index number shall stand at certain figures.

In short, then, the amount of interest paid on this bond, and the principal to be repaid will increase as the purchasing power of money decreases, and will decrease as the purchasing power of money increases, so that the amount of purchasing power received by the bondholder will remain the same.

The effect of the plan will be watched with interest. Certainly, it will be welcome to the bondholders, but there is some question whether it can be carried out without bad effects on the company. That remains to be seen.

#### FIRST NATIONAL, BOSTON, SETS THE PACE

The annual report of the First National Bank, Boston, Mass., with balance sheet as of December 31, 1925 shows deposits of \$301,224,810, and resources of \$402,980,744. This is the first time the \$300,000,000 mark for deposits and the \$400,000,000 mark for resources have been passed by a bank in New England. Outside of New York City, there are only three other banks with totals approximating these amounts.

### Southern States

*Comprising the District of Columbia, Maryland, Virginia, West Virginia, North Carolina, South Carolina, Georgia, Florida, Alabama, Mississippi, Louisiana, Texas, Arkansas, Kentucky and Tennessee.*

#### CONVENTION DATES

National Foreign Trade Association—at Charleston, S. C., April 28-30.

Louisiana Bankers Association—at Monroe, April 14-15.

A. B. A. (Spring meeting of Executive Council)—at Pinehurst, N. C., May 3-6.

North Carolina—at Durham, May 6-8.

Mississippi Bankers Association — at Biloxi, May 11-12.

Texas Bankers Association—at Galveston, May 25-27.

Virginia Bankers Association—at Roanoke, June 17-19.

#### CITIZENS NATIONAL, BALTIMORE

The Citizens National Bank, Baltimore, Md., has declared the regular quarterly dividend of 6 per cent. for the fourth quarter of 1925 and an extra dividend of 4 per cent., bringing the total dividends declared in 1925 to 28 per cent.

The directors have recommended to stockholders the declaration of a stock dividend



ALBERT D. GRAHAM

President Citizens National Bank, Baltimore, Md., which has recently declared a 50 per cent. stock dividend, increasing its capital to \$3,000,000

of 50 per cent. If approved, this will increase the bank's capital to \$3,000,000, with surplus and undivided profits of \$5,500,000. It will then have larger capital resources than any other bank south of Philadelphia and east of the Mississippi river.

The bank has been considering this capital increase for some time, but has delayed until the end of the post-war deflation period. It is expected that quarterly dividends of 5 per cent. will be paid on the increased capitalization.

#### FIRST NATIONAL AND MERCHANTS NATIONAL, RICHMOND, TO MERGE

The directors of the First National Bank of Richmond, Va., and of the Merchants National Bank of Richmond, have approved the consolidation of the two institutions, as the First and Merchants National

# THE FIRST NATIONAL BANK OF RICHMOND, VIRGINIA



**The Old First**  
Est. 1865

with

**EXPERIENCE**—Over sixty years

**STRENGTH**—Capital and Surplus  
**\$4,000,000.00**

**OFFICERS**—Experienced, capable and  
well versed on conditions  
and credits thruout this  
territory :

*invites your business*

**JOHN M. MILLER, JR.**

*President*

***Resources over \$37,000,000***

Bank of Richmond, with a capital of \$3,000,000, surplus of \$3,000,000, undivided profits of \$300,000, and deposits of approximately \$50,000,000. The action remains to be submitted to the stockholders for ratification.

## GOLDEN ANNIVERSARY

On December 27, 1925, the Peoples National Bank, Charlottesville, Va., reached its fiftieth birthday. How the bank has grown is illustrated in the growth of deposits from \$235,163 in December 1885 to \$475,344 in December 1905, and to \$5,593,433 in December 1925.

## FLORIDA BANKERS BOND AND MORTGAGE COMPANY

This company has been formed at West Palm Beach, Florida, with an authorized capital of \$2,000,000 for the purpose of engaging in the state-wide business of making construction loans and the purchase of first mortgages on homes, office buildings, stores, hotels, apartment buildings and other income-producing properties. It is the intention of the company to open offices in all the important cities of Florida, in order

that the capital and services of the organization may be available to those desiring to build. Experience has demonstrated the need of a centralized organization of this character, operating in all sections of the state, and with adequate capital. Both the stock of the Florida Bankers Bond and Mortgage Company and its mortgages will be protected by improved real estate security.

The board of directors of the Florida Bankers Bond and Mortgage Company is one of exceptional strength. It includes: Will R. Peters, recently president of the Commonwealth Mortgage Company and Peters Home Building Company and vice-president of the United States Mortgage Company who will serve the new corporation as president; J. E. Taylor, president Seminole State Bank of Stuart, Florida, president Inlet Commission, president Pelican Hotel Company, director Palm Beach Bond and Mortgage Company and Southland Bond and Mortgage Company, a member of the State Legislature, and mayor of Stuart; Richard T. Ringling, of the firm of Ringling Brothers and an officer and director in a large number of corporations;

H. A. Meola, president Meola Corporation, Fort Lauderdale, Fla.; E. A. Fuge, president Bank of Stuart, and director Southland Bond and Mortgage Company; Hon. John Grambling, of Miami, former United States Commissioner, former Judge of Dade County and member of Grambling & Clarkson, attorneys; Colonel William White of New York and Florida, member of Ringling & White; A. G. Garzo, president El Verano Hotel Company, West Palm Beach, Fla., and a large real estate owner; and Charles E. Brome of Miami, retired, a large real estate owner.

Serving with Mr. Peters as officers are A. G. Garzo, secretary, and Judge Grambling, treasurer.

#### AMERICAN TRUST, NASHVILLE, COMPLETES NEW BUILDING; WETTERAU HONORED

The American Trust Company, Nashville, Tennessee, moved into its new fifteen-story building on December 26, 1925. The new structure, which is modeled after the old



C. H. WETTERAU

Assistant vice-president American National Bank, Nashville, Tenn., who is writing the chapter on "Institutional advertising" for the F. A. A.'s new handbook on financial advertising

Knickerbocker Trust Company building on Fifth avenue, New York City, is the largest office building in Nashville.

C. H. Wetterau, assistant vice-president

American National Bank, Nashville, Tennessee, which is affiliated with the American Trust Company, has been selected to write the chapter on "Institutional Advertising" for the new book of the Financial Advertisers' Association on "Financial Advertising."

#### MIAMI BANK CLEARINGS PASS BILLION MARK

When Miami bankers predicted last summer that bank clearings for the year would exceed \$1,000,000,000, it was thought in many quarters that their claims were rather excessive. The Miami Clearing House Association has announced that this figure was passed on December 10, 1925, showing a gain of 475 per cent. over 1924, in which year the total clearings were \$212,353,780. This record by Miami, in addition to leading the entire country in increase, sets a world's record for annual increase in bank clearings.

#### MIAMI BANK AND TRUST COMPANY SHOWS GROWTH IN DEPOSITS

The statement of the Miami Bank and Trust Company, Miami, Florida, as of September 28, 1925, shows a phenomenal growth in deposits from \$5,085,982 on September 28, 1924, to \$31,994,662 on September 28, 1925, a total increase for the year of \$26,908,680. The bank has a capital of \$200,000, and surplus and undivided profits of \$462,895. Total resources on September 28, 1925, stood at \$32,677,557.

#### BANK OF CORAL GABLES' GROWTH

The Bank of Coral Gables, Miami, Florida, which was organized less than a year ago, with a capital of \$25,000 and a staff of two persons, has now, after eleven months of operation, more than 3000 depositors, \$3,000,000 in deposits and a staff of fifteen persons. Mrs. Louise Bragg, of Annadale, Minn., is the latest addition to the staff.

#### JACKSONVILLE BANK INCREASES CAPITAL

The board of directors of the Atlantic National Bank, Jacksonville, Florida, have recommended to the stockholders the payment of a stock dividend of about 48 per cent., increasing the capital from \$1,400,000 to \$2,000,000. After the increase, the surplus and undivided profits will stand at \$700,000. The Atlantic National, with its affiliated institutions, the American Trust

Company and the Fairfield, Springfield and Riverside Atlantic Banks, will have combined capital resources of over \$3,000,000.

The Atlantic National Bank opened for business on August 1, 1908, with capital of \$350,000, at a time when the population of Jacksonville was only 30,000. The original stock was increased on December 28, 1922, by the declaration of a stock dividend of 300 per cent., which, added to the present stock dividends, makes a total of 471 per cent. in stock dividends paid on the original stock, since organization.

The bank has recently completed a ten-story annex to its building, and has almost completed two new branch buildings.

R. S. HECHT ON OUTLOOK FOR 1926

R. S. Hecht, president Hibernia Bank and Trust Company, New Orleans, La., in his annual report to the stockholders, had the following to say about the prospects for business in 1926: "We believe that there is every reason to anticipate a continuance of the present era of prosperity. All of the



**RUDOLF S. HECHT**  
President Hibernia Bank and Trust Company,  
New Orleans, La., who looks forward to a  
continuance of the present prosperity

fundamentals of the financial and business situation appear to be sound, and if we follow conservative policies and exercise the necessary restraint to prevent inflation and a repetition of the mistakes of five years

**Bank of Charleston**

National Banking Association

**Charleston, S. C.**

Established 1834

The Bank of Charleston succeeded to business of liquidating branch Bank of the United States.

Capital and Surplus . . . \$1,500,000.00  
Resources . . . . \$12,500,000.00

ago, there is no basic reason why we should not continue to enjoy at least as good average business as we had in 1925. We could hardly wish for more!"

The fifty-fifth annual statement of the Hibernia Bank shows total deposits of \$62,170,000, a gain of more than \$4,000,000 in the last twelve months, and the largest deposit line ever reported by that institution. The total resources on the same date were in excess of \$70,000,000, with capital, surplus, and undivided profits of \$4,700,000.

The total resources of all the New Orleans banks on December 31, 1925, were \$318,800,000, an increase of \$140,000,000, or 80 per cent. in the seven years since the close of the World War.

These figures reflect in a most significant manner the remarkable financial, commercial, and industrial development that New Orleans is experiencing.



**Middle States .**

*Comprising Ohio, Indiana, Illinois, Michigan, Wisconsin, Minnesota, Iowa and Missouri.*

**CONVENTION DATES**

Illinois Bankers Association—at Springfield, June 16-17.

Iowa Bankers Association—at Sioux City, June 21-28.

**WOOLLEN CANDIDATE FOR SENATOR**

Evans Woollen, president of the Fletcher Savings and Trust Company, Indianapolis,





**EVANS WOOLLEN**

President Fletcher Savings and Trust Company, Indianapolis, Ind., who has announced his candidacy for the nomination as Senator from Indiana

Ind., and chairman of the Economic Policy Commission of the American Bankers Association, has announced his candidacy for a seat in the United States Senate, as senator from Indiana. Mr. Woollen says: "I shall be a candidate for the Democratic nomination to succeed Senator Robinson. Wishing not to press myself on the party, I shall make no canvass for the nomination. If nominated, however, I will give all my strength eagerly in an effort to be elected."

#### HOUSE SAYS GOOD TIMES WILL CONTINUE

J. A. House, president of the Guardian Trust Company, Cleveland, Ohio, in a recently issued statement, said he expected the present prosperous conditions to continue at least through the first half of 1926. "We face 1926 with a belief that the first half of the new year will witness a steady, substantial volume of business," he said. "We have just come through a year of good stable business, as evidenced by the record haulage of raw and finished products by our railroads, and by the large total sales of farm products, other commodities, and many luxuries. All indications presage a consistent demand for raw

products, and finished commodities in almost every line during the first half of 1926. It is likely that a peak will be reached some time after June, and this, on the basis of past experience, will normally be followed by a moderate recession."

#### DECAMP SUCCEEDS WILLS

George Decamp has been appointed chairman of the board of the Federal Reserve Bank of Cleveland, Ohio, to fill the position left vacant by the sudden death of D. C. Wills, reported in these columns in November. Mr. Decamp entered the banking business as a clerk at Athens, Ohio, in 1902, and later became a national bank examiner, serving in the Pittsburgh, Cincinnati, Cleveland, and Chicago districts. In 1918 he opened the Pittsburgh branch of the Cleveland Federal Reserve Bank.

#### FIRST NATIONAL BANK, CHICAGO, TO INCREASE CAPITAL

The directors of the First National Bank, Chicago, have recommended to the stockholders that the capital stock be increased from \$12,500,000 to \$15,000,000, by the sale of 25,000 additional shares of stock to the present stockholders at \$100 per share.

The directors of the First Trust and Savings Bank, Chicago, have also recommended an increase in this institution's capital—from \$6,250,000 to \$7,500,000—by transferring that amount from undivided profits account to capital account. The additional stock will, like the present stock, be held in trust for the stockholders of the First National Bank of Chicago. After the increase, each stockholder of the First National will have a beneficial interest of one-half share in the First Trust and Savings Bank for each share of stock of the First National Bank owned.

F. O. Wetmore, chairman of the board of the First National Bank and the First Trust and Savings Bank, Chicago, Ill., reviewing the year, said:

"During the year 1925 nearly everything in this country has gone on in a smooth and satisfactory manner, so that there are comparatively few outstanding events on the financial horizon. Few, if any, of our industries have been suffering; most have had a satisfactory year, even though in some cases earnings may have been small in relation to the turnover.

"Generally speaking, banking has been

profitable during the year, for although interest rates have been low, the volume of business has, in most cases, been sufficient to offset this factor, and losses incurred by banks due to failures of customers have been small."

The statement of condition of the First National Bank, as of January 2, 1926, shows loans and discounts of \$199,068,827, deposits of \$253,940,571, and total resources of \$306,029,739. Net profits for the year 1925 amounted to \$2,596,824.

**SAXON JOINS CONTINENTAL AND COMMERCIAL TRUST, CHICAGO**

Hugh H. Saxon, formerly vice-president of the Georgia Railroad Bank, and of the Georgia Railroad and Banking Company,



**HUGH H. SAXON**

New vice-president of the Continental and Commercial Trust and Savings Bank, Chicago, Ill. Mr. Saxon comes to the Continental and Commercial from the Georgia Railroad Bank, Atlanta, Ga.

both of Atlanta, Ga., has been elected vice-president of the Continental and Commercial Trust and Savings Bank, Chicago, Ill., and will assume his new duties at once.

**NATIONAL REPUBLIC MORTGAGE COMPANY, CHICAGO**

The National Bank of the Republic, Chicago, has formed a new subsidiary, the

Even the best bank advertising can be made better.

— Send for and see Reed's Mass-color Plan for '26.

**P. M. REED**  
 & Banker Associates

TRIBUNE TOWER  CHICAGO

National Republic Mortgage Company, to handle real estate mortgage loans and real estate mortgage bonds. Adolph Radnitzer, formerly manager of the real estate loan department of the Union Trust Company, Chicago, and more recently vice-president of George M. Foreman & Co., has been elected president of the new company. Walter L. Johnson, for many years associated with the National Bank of the Republic, is secretary and treasurer.

**CONNOR LEAVES ILLINOIS MERCHANTS TRUST**

F. Dwight Connor, manager of the business extension department Illinois Merchants Trust Company, Chicago, for the last seven years, has resigned to become president of Bills-Connor, Inc., with Benjamin Bills, furnishing a professional counsellor service in bank business extension activities.

Mr. Connor has been in bank advertising for about twenty years, beginning with the organization of the advertising department of the Guardian Trust Company of Cleveland, Ohio. After remaining there for about thirteen years, he became advertising manager of the Illinois Trust and Savings Bank, Chicago, and when this bank was merged with the Merchants Loan and Trust Company and the Corn Exchange National Bank, all of Chicago, as the Illinois Merchants Trust Company, he remained as manager of the business extension department.

He has served as president of the Financial Advertisers' Association, and has been on various committees in the trust and savings divisions of the American Bankers Association, and has been president for two years of the financial division of the Advertising Council of Chicago.

Mr. Bills was formerly an officer in the

trust department of the Continental and Commercial Trust and Savings Bank of Chicago, resigning to become sales manager of the American Bond and Mortgage Co., which position he later left to form Bills' Bank Service, which now becomes Bills-Connor, Inc. He will be vice-president and treasurer of the new company.

The object of the new company is to assist bankers in analyzing, planning and operating their promotional campaigns, serving as professional counsellors and advisors rather than introducing or selling stimulating material.

#### STOCK INCREASE OF SCHIFF TRUST, CHICAGO

The Schiff Trust and Savings Bank, Chicago, has declared a stock dividend of 25 per cent, increasing the capital stock from \$400,000 to \$500,000. It was also voted to transfer \$50,000 from the undivided profits account to surplus, increasing the surplus account to \$100,000. The regular quarterly dividend of 3 per cent. was declared for the fourth quarter of 1925, making total dividend payments for 1925 stand at 15 per cent.

#### EARNINGS AT UNION TRUST, CHICAGO

"The Union Trust Company, Chicago, has just closed one of the most satisfactory years in its history," Frederick H. Rawson, chairman of the board, stated recently. "Every department of the bank recorded a new high point of business and earnings. The net earnings for 1925 were more than \$850,000. It may be recalled that on April 1, 1925, the bank's capital stock was increased from \$2,000,000 to \$3,000,000, and these earnings represent over 30 per cent. on the average capital for the year, and more than 12 per cent. on the average combined surplus, capital, and undivided profits."

#### FEDERAL COMMERCE TRUST, ST. LOUIS, ESTABLISHES DIVIDEND FUND

W. L. Hemingway, president of the Federal Commerce Trust Company, St. Louis, Mo., announced recently that the company has set aside a \$100,000 dividend fund for 1925. This will enable a dividend payment of \$2.25 per share, placing the stock on a 9 per cent. basis. The trust company is owned by the stockholders of the National Bank of Commerce in St. Louis.

The company has recently moved into its new home, on the second floor of the building which formerly housed the Federal Reserve Bank. The name of the building has been changed from "Federal Reserve Bank Building" to "Federal Commerce Trust Building." The first floor will be occupied by the trust and savings department of the National Bank of Commerce in St. Louis, and will give opportunity for expansion of the commercial division.

#### HOLDERNESS AND WATTS HOSTS TO A. B. A. ADMINISTRATIVE COUNCIL

After the conferences of the Administrative Council of the American Bankers Association in St. Louis recently, the members of the council were taken to the home of Marvin E. Holderness, vice-president First National Bank in St. Louis, Mo., for a reception. Later, they went to the Log Cabin Country Club of St. Louis, as guests of F. O. Watts, president of the First National Bank, for the remainder of the evening.

#### FRANK FUCHS ADDRESSES BANKERS

Frank Fuchs, advertising manager of the First National Bank in St. Louis, Mo., recently addressed a group of bankers, at a meeting held in Joplin, Mo., on "How to Advertise a Bank."

Mr. Fuchs is chairman of the Publicity Committee of the Missouri State Bankers Association, director of the Financial Advertisers' Association, and treasurer of the St. Louis Advertising Club.



## Western and Pacific States

*Comprising North Dakota, South Dakota, Nebraska, Kansas, Montana, Wyoming, Colorado, New Mexico, Oklahoma, Washington, Oregon, California, Idaho, Utah, Nevada, Arizona, and Alaska.*

#### CONVENTION DATES

California Bankers Association—at San Francisco, May 26-29.

South Dakota Bankers Association—at Watertown, June 15-16.

Colorado Bankers Association—at Greenwood Springs, June 25-26.

American Bankers Association—at Los Angeles, October 4-6.

# INDIVIDUALITY

Ask us to show you how we put your bank's individuality into your advertising

*It is something new—and desirable*

**OUTCAULT ADVERTISING COMPANY**

**221 EAST 20th STREET, CHICAGO, ILL.**

## PETTIGREW COMPLETES TWENTY-FIVE YEARS OF SERVICE WITH CITIZENS NATIONAL, LOS ANGELES

On January 1, Eugene T. Pettigrew, senior vice-president of the Citizens National Bank, Los Angeles, Calif., completed his twenty-fifth year with that bank. He came from South Dakota in 1888, entered the Citizens National Bank in 1901 as a clerk, became an assistant cashier in 1908, cashier in 1912, and vice-president in 1918. When he joined the bank the total resources were only a little over \$1,000,000. Today they stand at approximately \$60,000,000.

J. Dabney Day, president of the Citizens National Bank and the Citizens Trust and Savings Bank, commenting on the business outlook for the new year said: "Not for many years have business conditions shown so many encouraging features as at present. Conditions throughout the United States show that the various factors in the economic situation are well balanced, and the year 1925 has been one of widespread prosperity.

"A feature which injects a totally new factor into the selling organization of business is the expansion of instalment selling. The period of payment for a great number of commodities is gradually growing longer, and the credit structure erected on the instalment sales is getting larger. Somewhere there must be a point at which safety will be passed, but we are without any precedent upon which to form an opinion as to the place where an element of inflation may be considered to begin.

"However, these considerations affect only a limited area of the business organization of today. In the main, it may be



**E. T. PETTIGREW**

Senior vice-president Citizens National Bank, Los Angeles, Calif., who recently celebrated his twenty-fifth year of service with that bank

safely stated that the outlook is excellent, and that we may go forward into 1926 with confidence."

## FIRST NATIONAL GROUP, LOS ANGELES, INCREASES DIVIDEND

Holders of beneficial certificates, representing stock in the First National Bank of Los Angeles, Pacific-Southwest Trust and Savings Bank, and First Securities Company, will receive a quarterly dividend of \$5.50 for the fourth quarter of 1925, instead of \$5, which has prevailed for the



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Columbia Will Come to You*

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has made it possible for qualified men and women everywhere to profit fully by her educational advantages even if personal attendance at the University is impossible. Columbia now offers

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- Applied Grammar*      *Business English*
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- Speech Composition*
- Technique of the Short Story*
- Magazine Articles and Newspaper Writing*
- Juvenile Story Writing*
- Dramatic Composition*
- Composition of Lyric Poetry*
- Photoplay Composition*
- French*      *Italian*      *Spanish*
- Greek*           *Latin*
- Psychology*      *Religion*
- Astronomy*      *Drafting*
- Accounting*
- First Year*      *Second Year*
- Third Year*      *Cost Accounting*
- Mathematics*      *Economics*
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These are but a few of a wide range of subjects now available in Columbia Home Study Courses. If your study needs are not covered in this list, mention them specifically when writing for information. Use the coupon attached.

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which make available for you, *by mail*, every advantage that lies in instruction of University grade, and in the constant guidance, suggestion, and help of regular members of the University teaching staff. This is a carefully considered plan to extend the educational work of Columbia University so that it may be within the reach of all who recognize their cultural or practical need for the benefits of University training but who find it necessary to study at home.

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Columbia University  
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New York, N. Y.

Please send me full information about Columbia University Home Study Courses and their conduct. I am interested in the following subject.

(Bankers Mag. 1-26)

Name .....

Street & Number .....

City and State .....



last three years. Under conditions similar to those now prevailing, this rate will be maintained, making the annual return \$22 instead of \$20.

Officers and employes of the three institutions, numbering more than 2000, received a Christmas bonus of one-half month's salary. This applied only to those who have been with the institutions for a full year. Those employed for less than a year received a proportionate amount.

**SERVICE CHARGES IN NEBRASKA**

The Nebraska Bankers Association is carrying on a vigorous campaign for the institution of a service charge on small and unprofitable accounts. One of the difficulties it has found is that "in many places the banks talk very favorably, and all seem to want to start on the plan, but cannot seem to get started." Most of the bankers are afraid to start unless all the other banks in their town or county will start at the same time. However, in spite of this, a number of banks throughout the state started to impose a service charge on January 1, and the association reports that the list is growing very satisfactorily.

**LIBERTY BANK CONTINUES TO GROW**

The Liberty Bank, San Francisco, through which most of the branch banking of the Bancitaly Corporation has been carried on during 1925, has acquired the Home Savings Bank, Eureka, Calif., and the California Bank of San Mateo County, and will operate them as branches. This raises the total number of branches of the Liberty Bank to about thirty.

**PAGE SUCCEEDS HELLMAN AS PRESIDENT OF HELLMAN BANK**

Marco H. Hellman has retired as president of the Hellman Commercial Trust and Savings Bank, Los Angeles, and has been succeeded by Benjamin E. Page, executive vice-president of the bank. Mr. Page has been attorney for the Hellman interests in Los Angeles for many years, and has been in active charge of the bank for the last six months.

The Hellman Commercial Trust and Savings Bank was formed in 1913, by the merger of the All Night and Day Bank and the Merchants Bank and Trust Company, and has shown a steady growth, start-

**ONE BANK COVERS THE LOS ANGELES METROPOLITAN DISTRICT**

This circle with a radius of 20 miles embraces the Los Angeles Metropolitan District. The area shown in this circle covers the greatest per capita wealth, the most continuous prosperity and the most rapid growth in California.

**STARS INDICATE BRANCHES OF**

**SECURITY TRUST & SAVINGS BANK**

Your patrons and friends visiting California will be extended every courtesy and consideration at any of these branches of the Security Bank if they bear a letter of introduction from you.

**RESOURCES EXCEED \$200,000,000  
OVER 285,000 DEPOSITORS  
CAPITAL & SURPLUS \$11,075,000**

Ask our Department of Research and Service for any desired information regarding business conditions in this region.

ing with deposits of \$2,000,000, and now showing total deposits of over \$82,000,000.

#### FIRST STATEMENT OF CROCKER FIRST NATIONAL, SAN FRANCISCO

The first combined statement of the Crocker First National Bank and the Crocker First Federal Trust Company, both of San Francisco, Calif., shows loans and discounts of \$47,299,425, deposits of \$98,657,105, capital of \$7,500,000, and total resources of \$118,139,568.

#### GRAVES SAYS EXCESSIVE BRANCHES CUT PROFITS

J. A. Graves, president of the Farmers and Merchants National Bank, Los Angeles, Calif., speaking before the winter meeting of Group No. 5 of the California Bankers Association, condemned the "senseless multiplication of branch banks" as one of the causes of small profits. "It would be interesting to see the total deposits and earnings of all the branches in the city, on one side of the ledger," said Mr. Graves "and the total expense of running them, including interest at current rates on money in vested in bank premises and fixtures, on the other side; but no one will ever see such a statement. Even stockholders cannot get a glimpse of the expense account of any branch.

"It would be all very well if one bank could have had a few branches scattered throughout the city, but when one bank puts an attractive branch on one corner in an outlying district, and four or five other ambitious banks snuggle down on the other three corners of the street or in the immediate neighborhood, the melon will not be so rich at the cutting time."

#### DEVELOPMENTS IN NEBRASKA

There has been a movement in Iowa to bolster up the state banks, and to get an increased price for corn. This has also been suggested for Nebraska, but Governor McMullen has refused to have anything to do with the movement.

"Nebraska has gone through the experience that Iowa is now suffering from," says the governor. "It has liquidated most of the frozen assets of its banks, caused by the inability of farmers to pay their borrowings, and no necessity exists, therefore, for any organized action."

He has, however, announced that he will

send Kirke Griggs, State Trade and Commerce Secretary, to Des Moines to give Governor Hammill of Iowa information regarding the Nebraska bank deposits guaranty situation.

This, coming on the heels of news dispatches that an action has been brought in the Nebraska Supreme Court to invalidate the law authorizing the Guaranty Fund Commission, through directors of state banks, to levy assessments for continuing a bank in business, is rather puzzling.



## Dominion of Canada

*Nova Scotia, New Brunswick, Quebec, Ontario, Manitoba, Saskatchewan, Alberta, British Columbia, Newfoundland, Prince Edward Island, and Yukon.*

#### ECONOMIC CONDITIONS IN CANADA

By J. W. Tyson

WITH the decided improvement in the economic position of the agricultural industry as the most important factor, the year 1925 in Canada has been marked by moderate constructive progress in a business and financial way. There has been a further recovery from the depression which the country has experienced since the passing of the war-time boom. Looking forward there is much to create confidence. Not only has the buying power of the farming community been restored to a much more healthy basis but this has communicated itself to various lines of trade and industry and, with a plentiful supply of capital for commercial and industrial expansion, at reasonable rates—as indicated by the large surplus of savings deposits in the banks as compared with commercial loans—continued expansion and improvement can be reasonably anticipated.

Agriculture is quite evidently in a sounder and more prosperous condition than at any time since the war period, with markets adjusted to a comparatively stable basis at prices returning a reasonable profit to the farmer. Trade is showing healthy development with an increase of more than \$100,000,000 in total volume, while an increase in exports and a decline in imports have resulted in adding approximately \$60,000,000 to the Dominion's favorable trade

balance. The mining industry has had a year of expansion which promises to be continued in the future for which the growing interest of outside capital is in a large degree responsible. Total mineral output for 1925 will reach \$230,000,000 compared with \$200,000,000 in 1924. The forest industries are in better shape and the expansion of the pulp and paper business continued. The fear that production of newsprint was increasing too rapidly is passing with the prospect for still greater consumption in the United States and larger demands from Australia and from other overseas markets. Fisheries are making a very satisfactory showing, having had the best year for some time. General manufacturing improvement has been slow and in some respects disappointing. The same may be said for general retail trade. In some lines manufacturers are working at capacity but in others there appears to be room for further adjustments. Foreign competition has been hitting some of the domestic manufacturing plants and in this connection the uncertain political situation has undoubtedly been a disturbing factor.

Business leaders are making their plans for 1926 with a marked show of confidence. Policies and programs are evidently being shaped with the conviction that the coming year will record a larger trade turnover than 1925. Leading advertising agencies see confirmation of this in larger appropriations for national selling campaigns. Increased expenditures proposed for plant and equipment to enlarge capacity are evidence of the same thing. Bankers give assurance that there will be plenty of capital to finance legitimate undertakings and sound expansion of present facilities. At the annual meeting of the Bank of Montreal both Sir Vincent Meredith, the president, and Sir Frederick Williams-Taylor, general manager, emphasized the fact that there is probably a larger amount of money in Canada available for business expansion than has ever been the case before. In addition, outside capital, particularly from the United States, is seeking opportunities. Peleg Howland, president of the Imperial Bank, at the annual meeting of that institution, also referred to the favorable position of the banks to take advantage of the hoped for business revival.

On the other hand it is appreciated that there are serious handicaps retarding a return to a condition of general prosperity. The most burdensome of these is taxation. While in the United States important re-

FIFTH AND SPRING

# CITIZENS NATIONAL BANK

LOS ANGELES

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IN THE CENTER OF BUSINESS ACTIVITY

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# CITIZENS

## TRUST & SAVINGS BANK

LOS ANGELES

736 South Hill Street    308 South Broadway

BRANCHES THROUGHOUT LOS ANGELES

ductions are being made in the levies on business and on individuals, little has been accomplished in this direction in Canada. Whatever may be said for or against the nationalization of the Grand Trunk and Canadian Northern railway systems, the fact remains that they have become the property of the Government and that the operating deficits are a heavy burden on the country in addition to a war debt which is nothing short of tremendous for a young nation. This situation means that not only are producers handicapped by taxes but that the buying power of individuals is also curtailed thereby. Hope for a permanent solution of this problem lies not only in the direction of retrenchment in public expenditures but in immigration to increase the population and reduce the per capita debt burden. For this reason the formation of an immigration program which will prove effective in bringing in new settlers is one of the most important of the national tasks. Increased ocean traffic rates and the necessity for capital in the development of agricultural lands are problems in this connection which are being particularly studied.



Some plan by which settlers can be advanced capital seems to be advisable but it is one surrounded with difficulties.

According to the Dominion Bureau of Statistics the total yield of wheat in Canada for 1925 is now provisionally estimated at 422,327,000 bushels which is 30,508,000 more than the preliminary estimates. The total yield of wheat as now estimated is the second largest recorded for Canada, the highest total being 474,000,000 bushels in 1923.

Arrangements have been entered into by which Canadian gold mines may have their gold minted at the Ottawa branch of the Royal Mint and take payment in gold. This comes about as the result of the alteration in the exchange situation between Canada and the United States by which the Canadian dollar has come to par and above it. When American funds were at a premium it paid the Canadian gold mines to ship to the United States and take payment in United States currency but since the Canadian dollar has been at par, there has been a loss to the Canadian companies doing business in that way. It was calculated by the Ontario Mining Association that the saving to the Canadian industry on the estimated output of \$30,000,000 this year would be, under the new plan, close to \$50,000 with the exchange at par.

Savings deposits in the banks continue to increase according to the latest Government return of the chartered banks. Total deposits in Canada are \$168,000,000 larger than a year ago. At the same time, current commercial loans in Canada have contracted \$75,000,000, giving the banks a large surplus of funds for which new investments have had to be found. During the year current loans outside Canada have been increased by \$40,000,000, and call loans outside Canada by \$70,000,000, while deposits outside Canada have fallen off \$14,000,000.

#### C. E. NEILL NEW PRESIDENT OF CANADIAN BANKERS' ASSOCIATION

At the annual meeting of the Canadian Bankers' Association, the election of officers for the ensuing year resulted as follows: honorary presidents, Sir Vincent Meredith, Bart., Sir George Burn, E. L. Pease; president, C. E. Neill, general manager of the Royal Bank of Canada; vice-presidents, A. E. Phipps, general manager of the Imperial Bank of Canada; Beaudry Leman, general manager of Banque Cana-

dienne Nationale; J. A. McLeod, general manager of the Bank of Nova Scotia; and J. R. Lamb, general manager of the Bank of Toronto.

#### BANK OF TORONTO'S STATEMENT

The balance sheet of the Bank of Toronto, Canada, as of November 30, 1925, shows total loans and discounts of \$53,896,529, deposits of \$84,558,764, capital surplus and undivided profits of \$12,322,079, and total resources of \$110,966,887. Net profits for the year ending November 30, 1925, amounted to \$1,012,964.

#### BANQUE CANADIENNE NATIONALE STATEMENT

The balance sheet of the Banque Canadienne Nationale, Montreal, Canada, as of November 30, 1925, shows total loans and discounts of \$67,703,670, deposits of \$105,995,201, capital surplus and undivided profits of \$11,405,551, and total resources of \$181,483,689. Net profits for the year ending November 30, 1925, amounted to \$822,026.

#### CANADIAN STATISTICAL SOCIETY FORMED

A Canadian Statistical Society has been formed by a group of Montreal economists and bankers. The association will hold monthly meetings. Dr. J. E. Day of the department of economics of McGill University is president of the association; Dr. D. M. Marvin of the Royal Bank of Canada is first vice-president; Robert B. Verner of the *Financial Times*, Montreal, is second vice-president; J. E. Van Buskirk, secretary; and C. H. Link, Royal Securities Corporation, treasurer.

#### IMPERIAL BANK

The Imperial Bank for the year ending October 31, reports a substantial increase in profits, which total \$1,162,148 as compared with \$1,107,890 for the previous year.

While the balance sheet shows an increase in assets of more than \$9,250,000, to approximately \$125,000,000, increased profits do not represent improvement in commercial and industrial loans, so much as in loans in other directions made possible largely as the result of an increase of about \$6,180,000 in savings deposits and of slightly over \$1,150,000 in circulation, in addition

# FURNESS BERMUDA LINE

(Bermuda Gov't's Official Mail Steamers)

**Play GOLF in Charming BERMUDA—  
Gem of Winter Playgrounds**

(Average Yearly Temperature 70°)

Only 2 Days from New York

**Sailings Twice Weekly From New York  
Wednesday and Saturday**

via Palatial Twin-screw Oil-burning Steamers

**S.S. "FORT VICTORIA" and S.S. "FORT ST. GEORGE"**

**No Passports—Modern Hotels**

**All Outdoor Sports—Golf, Tennis, Sailing, Bathing, Horse Racing,  
Fishing, Riding, Driving, etc.**

**ST. GEORGE HOTEL, St. George, Bermuda**

Especially attractive, located in the historic, picturesque and quaint part of Bermuda.  
Excellent cuisine and service. Magnificent tiled, heated and covered swimming pool.

**West Indies**

Delightful Trips to the Gems of the Caribbean Sea.

For illustrated Booklets on Bermuda or St. George Hotel or West Indies write

**FURNESS BERMUDA LINE, 34 Whitehall St., New York**

or Any Local Tourist Agent



to an increase in demand deposits of \$1,631,000.

The increase in current loans shown is \$869,500, while there is a new item of current loans abroad of \$614,000. Larger increases are indicated in call loans abroad, which expanded by \$3,000,000, and in loans on Government and public securities.

## BANK OF MONTREAL

In view of the substantial advance in the price of the stocks of the Canadian banks in recent months, the annual report of the Bank of Montreal has more than usual interest. For the year ending October 30, net earnings amounted to \$4,604,963, as compared with earnings last year of \$4,454,504. As compared with the statement issued six months ago, the present exhibit should prove satisfactory, for the total assets have increased from \$718,194,797 at the end of the last half-year period to a present total of \$755,147,876.

Reflecting the banking strength are liquid assets of \$450,459,068, being equivalent to 66.37 per cent. of total liabilities to the public, while cash holdings amount to \$103,829,406, equal to 15.80 per cent. of public liabilities. As of October 31, last, capital, surplus and undivided profits were \$60,430,188 and deposits \$626,862,749, of which \$546,569,937 were in Canada. Total assets were \$755,147,876.

At least \$500,000,000 of new money will be drawn into Canada as a result of this year's harvest, according to Sir Vincent Meredith, president of the bank. "There is no question that the trend of business is slowly but surely upward," he said. "The dominating factor is Canada's big harvest, one of the largest ever gathered, marketed profitably, the movement of which is running up Canadian railway earnings."

Sir Frederick Williams-Taylor, general manager, said that "Canada now has one branch bank for every 2200 people, as compared with one bank for every 3700 persons in the United States."

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The office of the Skandinaviska Kreditaktiebolaget at Gothenburg, Sweden; the first office of the bank to be established

## A Leading Swedish Bank

Skandinaviska Kreditaktiebolaget at Gothenburg, Stockholm and Malmö

**S**KANDINAVISKA Kreditaktiebolaget, from many points of view, holds the position as one of the leading Swedish banks. With funds of its own amounting to approximately \$49,000,000, this bank not only has a larger capital than any other bank in Scandinavia, but under the existing currency conditions, also surpasses in this respect most of the big banks on the European Continent.

### *Development of the Swedish Banks*

Some people may be surprised to learn that a bank of such dimensions should have arisen in a comparatively small country like Sweden. This is explained by the rapid industrial and commercial development of Sweden since the beginning of this century. Sweden is not only a producer of iron and timber; in the course of the last thirty years or so she has become a manufacturing country, and has a number of highly developed industries; for example, in the machine, paper, wood pulp, foodstuffs, textile and chemical branches. This period has, more-

over, been marked by a rapid expansion of Sweden's commerce and shipping.

This expansion has naturally promoted the growth of larger financial institutions than those previously in existence. But it has also induced the large banks to extend their spheres of action from restricted local areas to the country as a whole, or, at any rate, the greater part of it. This has rendered it possible to equalize the fluctuations in the demand for credits, which are due to the fact that different branches of industry are localized in different parts of the country. For example, the farmers in the south of Sweden want to borrow money on their crops at a season of the year which by no means coincides with that at which the timber exporters in north and central Sweden are in most urgent need of credits.

### *A Brief History of the Bank*

Skandinaviska Kreditaktiebolaget, which, was originally intended to be a *Scandinavian* bank with offices also in the other Scandinavian countries, as well as in London, Paris



Interior of the Gothenburg, Sweden, office of the Skandinaviska Kreditaktiebolaget



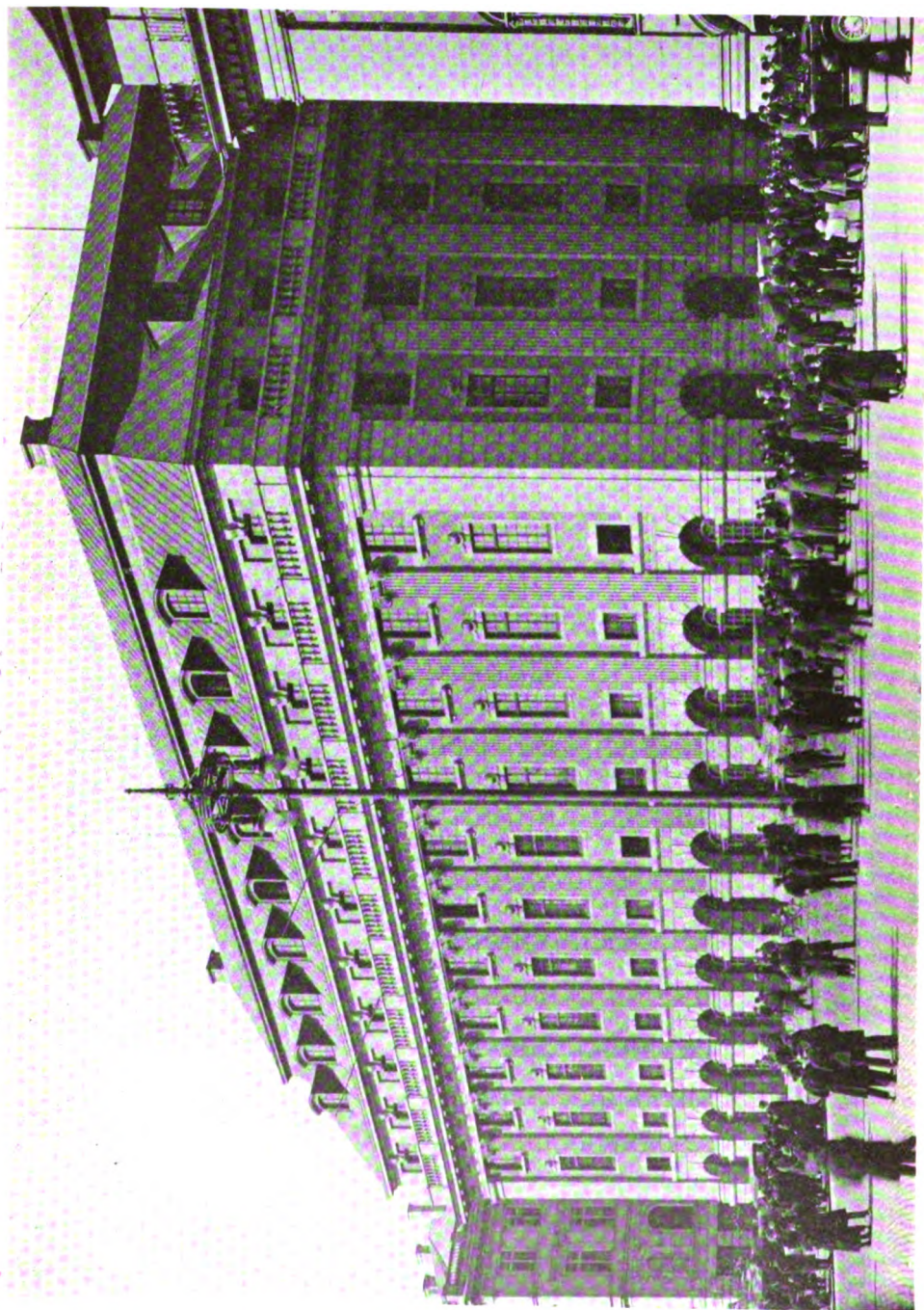
Board of directors' room in the Gothenburg, Sweden, office of the Skandinaviska Kreditaktiebolaget



The very handsome interior of the Stockholm, Sweden, office of the Skandinaviska Kreditaktiebolaget

and Amsterdam, has nevertheless remained a purely Swedish bank. It was established in 1864, and is thus the oldest joint-stock bank in Sweden. But, in respect of part of its business, the bank may be said to have existed close on a century. For it has absorbed the oldest private bank, Skanes Enskilda Bank, whose origin dates back to the year 1831. After amalgamation with other Swedish banks and the establishment of

branches in the provinces, it now has a network of about 100 offices, covering all parts of the country. For the purpose of large financial operations, such as the launching of bond issues, and also in other ways, it co-operates with seven leading provincial banks and six smaller banks. Skandinaviska Kreditaktiebolaget is thus directly or indirectly represented in about 300 places in Sweden.



The office of the Skandinaviska Kreditaktiebolaget at Stockholm, Sweden, where the bank's most extensive business is transacted



The Skandinaviska Kreditaktiebolaget's office at Malmö, Sweden. This office serves the agricultural districts of southern Sweden

#### *Skandinaviska Kreditaktiebolaget and its Industrial Connections*

The expansion of Skandinaviska Kreditaktiebolaget has been closely connected with important developments in Swedish industry. For example, the Grängesberg Mining Company, Trafikaktiebolaget Grängesberg-Oxelösund, which has played such a vital part in the economy of Sweden, was founded under the auspices of this bank. For many years past the bank has reckoned among its customers well known firms in the iron and timber industries. But its connections also include the three largest industrial enterprises of recent times in Sweden; namely, the Swedish Match Company, the Aktiebolaget Svenska Kullagerfabriken, manufacturers of the famous SKF ball bearings, and the sugar trust. It moreover, deserves to be noted that the sums deposited with Skandinaviska Kreditaktiebolaget on call or short notice amount to nearly one-fourth of the corresponding deposits in all Swedish banks taken together.

The Skandinaviska Kreditaktiebolaget has taken the lead in several important banking developments. For example, the clearing system was originally introduced at its Stockholm office, though it was afterwards transferred to the Riksbank, the state bank of Sweden.

#### *The Bank's Three Head Offices*

The business of Skandinaviska Kreditaktiebolaget is at present organized in three main branches, represented by head offices in the three principal towns of Sweden. The first office of the bank was opened at Gothenburg, and it still has its registered office at that important center of foreign trade. But, for obvious reasons, the bank's most extensive business, comprising the industrial areas of north and central Sweden, has fallen to its office in the capital. The third head office is located at Malmö, the economic center of the prosperous agricultural districts of southern Sweden. These three head offices are continuously in close co-operation, facilitated by the erection of the bank's own telephone lines between those centers.

#### *Stabilization of Currency; Trade Between Sweden and the United States*

Owing to her close proximity to the theater of the war, Sweden has been greatly affected by its aftermath. But in April, 1924, earlier than any other country in Europe, Sweden was able to revert to the gold standard, and thus to put the copingstone to the restoration of her finances. The Swedish banks can claim a great share in the credit for this restoration, which under a





Interior of the Malmö, Sweden, office of the Skandinaviska Kreditaktiebolaget

less developed banking system would undoubtedly have been retarded.

The stabilization of the currency has greatly promoted trade and financial relations between Sweden and the United States. Skandinaviska Kreditaktiebolaget has played a prominent part also in this field, notably in the negotiation of Swedish

state loans in the United States and in the financing of the greatly developed trade between the two countries. As the negotiator of commercial and financial transactions between Sweden and the United States the Skandinaviska Kreditaktiebolaget has made its name widely known in the United States, even beyond banking circles.



**I**T is not the city that makes the people free, but the people that make the city free; and the city cannot be free until the people have been freed from all their various bondages, free above all from themselves, from their own ignorances, littlenesses, superstitions, jealousies, envies, suspicions and fears. And it is not laws that can set them free, nor political parties, nor organizations, nor commissions, nor any sort of legalistic machinery. They must themselves set themselves free, and themselves indeed find out the way.

—BRAND WHITLOCK in "Forty Years of It."

# Some Recent Bank Building Operations

SPECIAL

**THE BANKERS  
MAGAZINE**

SECTION



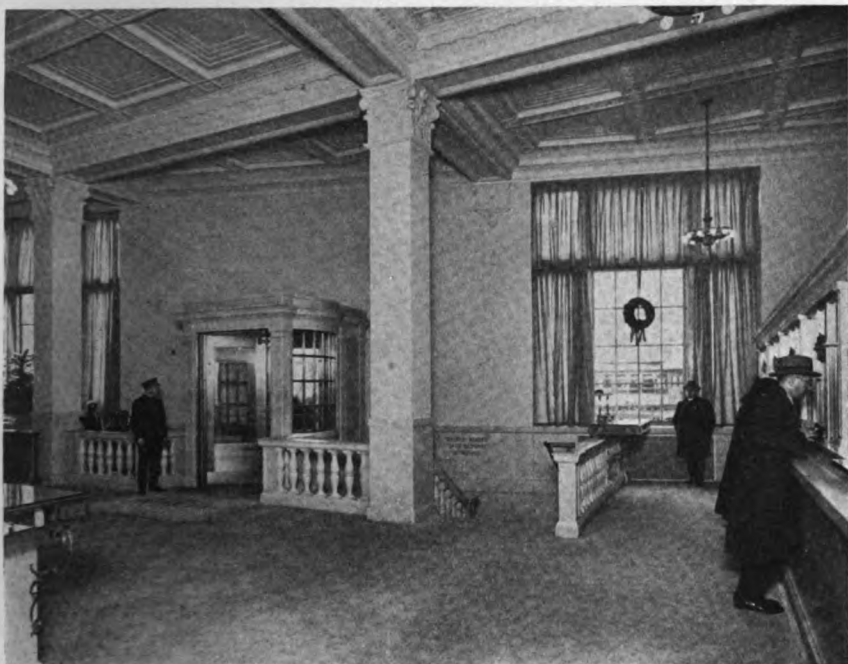
*An interior view of the Bank of California, Seattle, Wash. (John Graham, architect) showing the installation of steel window and skylight casements made by the Crittall Casement Window Co., Detroit. The large window and skylight space gives ample light and air to the working quarters in the bank.*



*The new bank and office building erected by the United States Mortgage and Trust Company, New York, to house its Seventy-third street branch, which was formally opened on December 21, 1925. It was designed by Henry Otis Chapman, and was built by Fountain and Choate.*



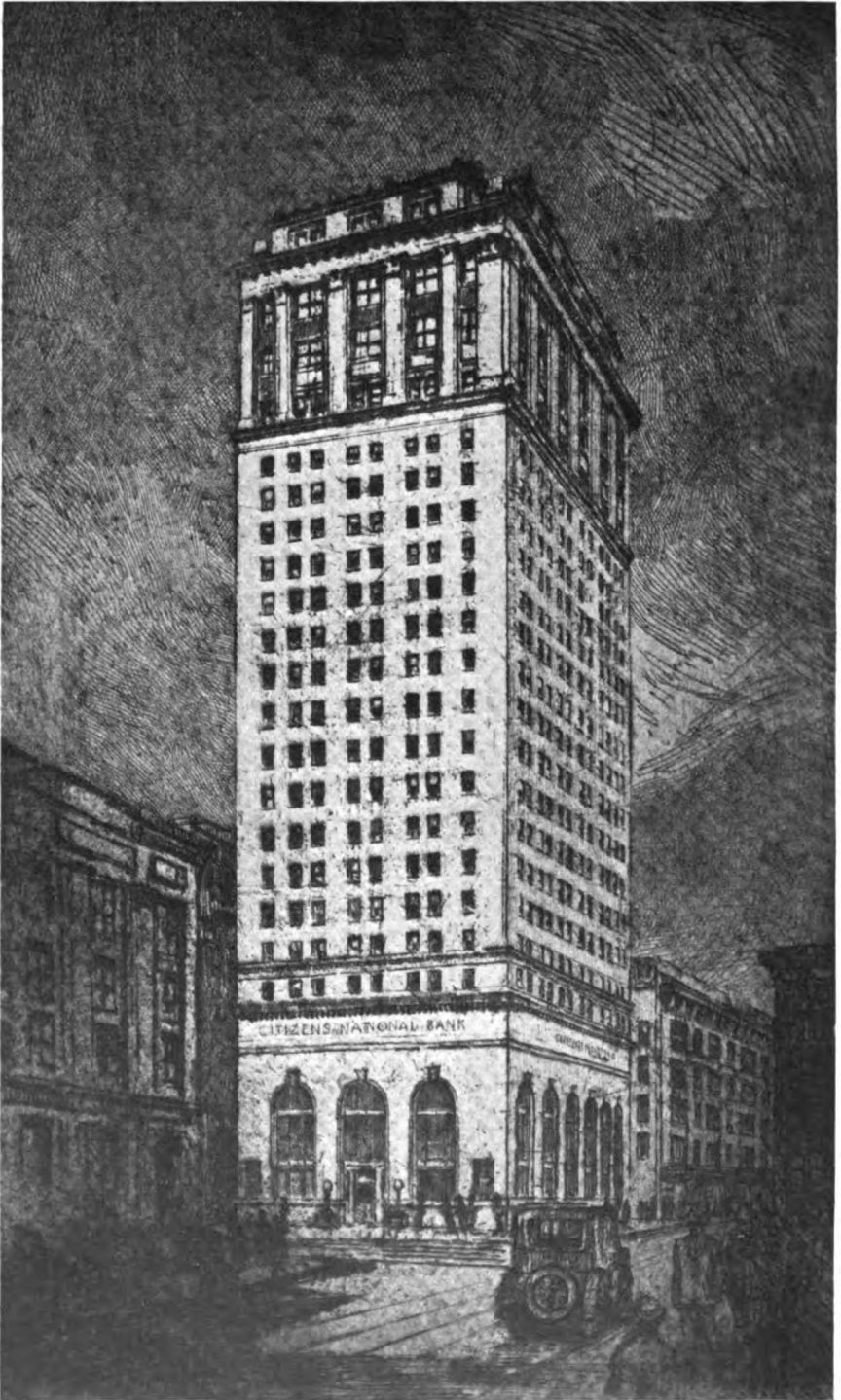
*The public space in the new Seventy-third street branch office of the United States Mortgage and Trust Company, New York. John A. Hopper is in charge of the branch.*



*Another view of the interior of the Seventy-third street branch of the United States Mortgage and Trust Company, New York, showing the stairway leading to the safe deposit vaults.*



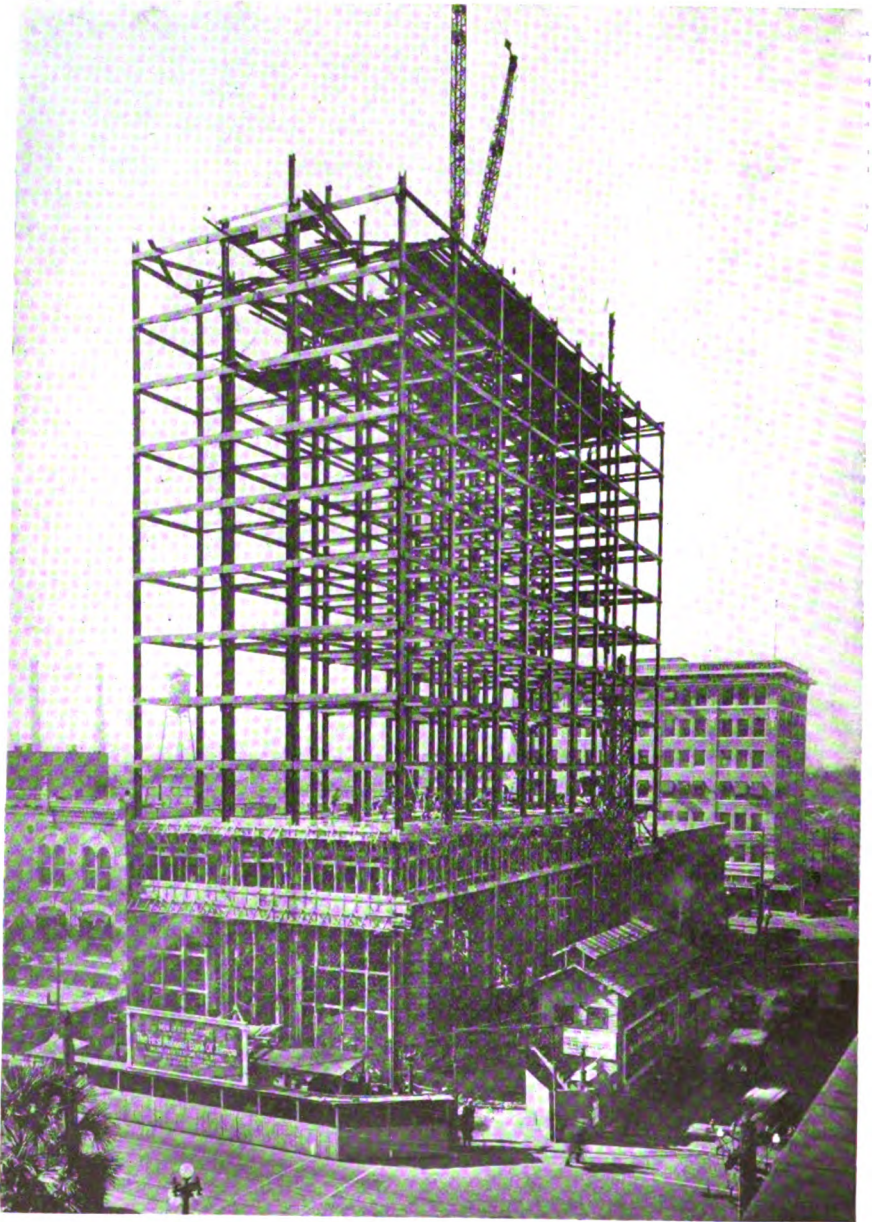
*Safe deposit and security vault, Seventy-third street branch, United States Safe Deposit Company, New York. Designed, manufactured and installed by Herring-Hall-Marvin Safe Co., Hamilton, O., and New York, N. Y.*



*An etching of the home of the Citizens National Bank, Baltimore, Md., designed by Graham, Anderson, Probst & White, architects, of Chicago. Albert D. Graham is president of the Citizens National.*



*The architect's drawing of the new building now under construction for the Queens Village office of the Hamilton National Bank, New York, designed by Alfred C. Bossom, bank architect, New York. The building will be of yellow brick, trimmed with marble. Inside, the main banking room will be twenty feet wide and one hundred feet long, with high arched windows. The building is expected to be ready for occupancy by February 15. E. S. Jones is manager of the Queens Village office.*



*A progressive photograph of the construction of the new building of the First National Bank, Tampa, Florida, planned by and now being constructed under the supervision of Holmes & Winslow, bank architects, New York. The foundations were carried to rock through a bed of sand at a depth varying from twenty-two feet to fifty feet. A more detailed description of the new building was given in the August 1925 issue of THE BANKERS MAGAZINE.*

*The First National Bank, Marlboro, N. Y., as it looked before being altered and enlarged under the supervision of Morgan, French & Co., Inc., bank architects and engineers, New York.*



*As the First National Bank, Marlboro, New York, will look after the completion of alterations and additions under the supervision of Morgan, French & Co., Inc., bank architects and engineers, New York.*

*The office of President Wilmer A. Cadmus in the new building of the National Bank of America, Paterson, N. J., recently opened.*







*The public space in the recently opened building of the National Bank of America, Paterson, N. J.*



*A unique idea in Christmas lighting of the building of the First Wisconsin National Bank, Milwaukee, Wis.*



*Central file room, Merchants National Bank, Baltimore, Md. Equipment by Rand Kardex Bureau.*

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## BOOK REVIEWS AND NEW BOOKS

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THE LIFE OF ELBERT H. GARY, THE STORY OF STEEL. By Ida M. Tarbell. N. Y.: Appleton. \$3.50.

Miss Tarbell evidently believes, as someone once said, that "biography is the praising of eminent men," in spite of the recent tendency in the other direction. For "The Life of Elbert H. Gary" is one long eulogy of Judge Gary, beginning with him as "a boy always ready to meet an emergency, first in games at school, loyal to his friends, particularly to his elder brother," and so on through the book to the last sentence: "No man in contemporary affairs has more honestly earned the high title of Industrial Statesman." Miss Tarbell is obviously a person of strong likes and dislikes. For, if memory serves, her "History of the Standard Oil Corporation" was just as savage as this book is admiring. It is unfortunate that so often biographers fail to perceive that the subjects about which they write are only human.

There is related the story of John W. Gates, who was so successful as a salesman of barbed wire (which was then just newly patented) that he felt that it would be wasteful if he turned in to his firm all the orders he got, and therefore began the manufacture of wire secretly, moving often enough to keep out of the hands of the law, until in desperation, the firm which had originally hired him, found it easier to license him to manufacture the wire than to try to keep him from infringing on its patents. Judge Gary who is held up in the book as the paragon of business honesty, must have known, therefore, that Gates was little more than a business pirate, and yet, when he came to Gary to form the Consolidated Steel and Wire Company, Gary readily took hold of the job and carried it to a successful conclusion, later becoming a director of the company.

Of course, standards of business morality in the nineties were not what they are today, so that the point of view of Judge Gary can readily be appreciated. And there would be no quarrel with his attitude, had he not been set up before us, in this book, as an example.

Indeed, for the greater part, the life of

Judge Gary has been one which may be safely followed by the aspiring young man. After a few years of teaching school, he was offered an opportunity to read in a law office, which he immediately accepted, having a natural liking for the law. When it was suggested that he finish his studies at Union Law College in Chicago, he borrowed the money from his father, was graduated at the head of his class, and was appointed a deputy clerk of the superior court, working up to chief clerk. Presently he resigned and set up in business for himself. The description of his work on an important case gives the secret of his success: "Night after night . . . Gary went home to study and digest what he had heard. While his colleagues in the case . . . were amusing themselves, he was making himself so familiar with the evidence that whenever a question of fact came up, he could immediately refer to the record written up day by day by the court stenographer. . . . The judgment of his friends who had watched the case was that 'Elbert won because he studied nights while the opposing lawyers played poker.'" This is almost identical to the evidence of Chauncey Depew in his memoirs to the effect that his success as a public speaker was due to the fact that he spent his evenings preparing speeches, while his friends played cards.

Judge Gary was prevailed upon to run for county judge, was elected, and served two terms, hence the "Judge." Refusing re-election, he built up a very successful corporation law practice in Chicago, formed the Consolidated Steel and Wire Company, later formed the American Steel and Wire Company, and finally, after assisting in the formation of the Federal Steel Company, became its president. From that time on, he gave his whole attention to steel, and abandoned the law. Then follows the history of the Steel Corporation, which is the story of Judge Gary.

And let it not be thought that because Miss Tarbell has refused to look at Judge Gary critically that she has written a dull book. On the contrary, it is one of the most interesting of biographies. In the first place, Judge Gary has had an interesting life; and in the second place Miss

Tarbell (who is an excellent writer) has woven the story of this life together as skilfully as a novel.

+

TATE'S MODERN CAMBIST. By W. F. Spalding. N. Y.: Bankers Publishing Company. \$10.

THE publication of Tate's "Cambist" (a cambist is a manual giving the moneys, weights and measures of different countries, and their equivalents) was begun in 1829. Since then, twenty-seven editions of the famous work have been published, growing in value with each edition. The present volume contains a chapter defining the terms used in foreign exchange; gives the monetary system of practically every country in the world, with the history of the growth of the system, stamp taxes, and exchange rates; and a guide to market operations in bullion and exchange in the countries of the world.

"One would have liked to have been able to state," says Mr. Spalding, in his preface, "that something like a real unification of the currencies of the world had arisen out of the chaos brought about by the war. Unfortunately, this is not so. Each country seems to have been actuated by a desire for a monetary unit different from every other nation; so much so, in fact, that it is now a real work of art to distinguish between the variety of units. To take Europe alone, before the war there were ten distinct units; in 1925 there were twenty-seven different monetary units, and the number seems likely to increase. It is the same elsewhere."

With such a condition to contend with "Tate's Modern Cambist" is as necessary to the banker, economist, and business man dealing with foreign countries as the "World Almanac" is to the average man. Like that work, it brings authentic information on a multitude of subjects within arms length. It is, as the *London Times* says: "The most important reference book on monetary questions issued since the war."



### Books Received

THE FINANCIAL ORGANIZATION OF SOCIETY. By Harold G. Moulton. Chicago: University of Chicago Press. \$4.  
ANNUAL REPORT OF THE STATE TAX COMMISSION. State of New York.  
ELEMENTS OF BUSINESS FINANCE WITH

QUESTIONS AND PROBLEMS. By Joseph H. Bonneville. N. Y.: Prentice-Hall. \$5.

FRANCE AND NEW ENGLAND. By Allan Forbes and Paul F. Cadman. Boston: State Street Trust Company.

FUNDAMENTALS OF INVESTMENT. Edited by Samuel O. Rice. Chicago: A. W. Shaw Co. \$5.



### Other New Books

BANKING AND TRUST LAWS (of Oregon). By Frank C. Bramwell. Salem, Oregon: State Printing Department.

STATISTICAL ANALYSIS. By Edmund Ezra Day. N. Y.: Macmillan. \$4.

THE FINANCIAL CRISIS OF FRANCE. By Hon. Arthur George V. Peel. N. Y.: Macmillan. \$4.25.

PRINCIPLES OF ECONOMICS (2 vols.). By Fred O. Boucke. N. Y.: Macmillan. \$5 set.

INDUSTRIAL OWNERSHIP: ITS ECONOMIC AND SOCIAL SIGNIFICANCE (new edition). By Robert S. Brookings. N. Y.: Macmillan. \$1.25.

THE TREND OF ECONOMIC RESTORATION SINCE THE DAWES REPARATION SETTLEMENT. By E. G. Burland. N. Y.: Carnegie Endowment for International Peace.

SOME ECONOMIC ASPECTS OF FARM OWNERSHIP. By C. L. Stewart. Washington, D. C.: U. S. Government Printing Office.

ESSAYS IN ECONOMICS. By E. R. A. Seligman. N. Y.: Macmillan. \$3.25.

STUDIES IN PUBLIC FINANCE. By E. R. A. Seligman. N. Y.: Macmillan. \$3.25.

THE CUSTODY OF STATE FUNDS. By Martin L. Faust. N. Y.: National Institute of Public Administration. \$2.

INCOME IN THE VARIOUS STATES; ITS SOURCES AND DISTRIBUTION, 1919, 1920 AND 1921. N. Y.: National Bureau of Economic Research. \$5.

FRAUDULENT PRACTICES IN RESPECT TO SECURITIES AND COMMODITIES. By Charles H. Mills. Albany, N. Y.: W. C. Little & Co. \$7.50.

BANKERS' TESTS; THE TREATMENT BY BANKERS OF APPLICATIONS FOR LOANS. By Francis R. Stead. N. Y.: Pitman. \$3.

ANALYSIS OF RAILROAD OPERATIONS. N. Y.: Simmons-Boardman. \$4.

SOCIAL AND ECONOMIC STANDARDS OF LIVING. By Theresa Schmid McMahon. N. Y.: D. C. Heath. Price \$2.80.

AMERICAN FOREIGN INVESTMENTS. By Robert W. Dunn. N. Y.: Viking Press. Price \$5.

PAPER

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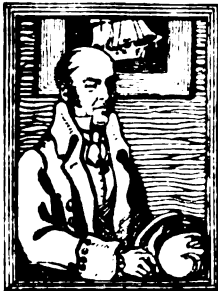
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Vol. CXII

FEBRUARY 1926

No. 2

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Menace ?

Banking by Mail Without a Passbook  
Insurance Company Methods Applied  
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Should Banks Attempt to Regulate  
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Domesticating Foreign Securities

Is the McFadden Bill Fair to State  
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No. 2

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RESOURCES OVER A QUARTER BILLION DOLLARS





## *Progress*

**S**OUND business principles and a policy of gradual expansion have marked the steady growth of this Bank for fifty-seven years.

Today, one of the largest and strongest banks in the world, it serves every phase of business and private life at home, and is taking a leading part in the expansion of trade in foreign markets.

# **The Royal Bank of Canada**

Head Office  
Montreal

In New York At  
68 William St.

***Resources Exceed 788 Million Dollars***

# THE HANOVER

## NATIONAL BANK OF THE CITY OF NEW YORK Established 1851 OFFICERS

WILLIAM WOODWARD  
PRESIDENT

E. HAYWARD FERRY  
VICE-PRESIDENT

HENRY P. TURNBULL  
VICE PRESIDENT

WILLIAM E. CABLE, JR.  
CASHIER

SAMUEL WOOLVERTON  
VICE PRESIDENT

J. NIEMANN  
ASST. CASHIER

JOSEPH BYRNE  
VICE PRESIDENT

WILLIAM DONALD  
ASST. CASHIER

CHAS. H. HAMPTON  
VICE PRESIDENT

GEORGE E. LEWIS  
ASST. CASHIER

JOSEPH S. LOVERING  
VICE PRESIDENT

FREDERICK A. THOMAS  
ASST. CASHIER

JAMES P. GARDNER  
VICE PRESIDENT

WALTER G. NELSON  
ASST. CASHIER

FOREIGN DEPARTMENT

CHARLES B. CAMPBELL  
ASST. CASHIER

WILLIAM H. SUYDAM  
VICE PRESIDENT AND MANAGER

WILLIAM B. SMITH  
ASST. CASHIER

WILLIAM H. ALLEN  
ASST. CASHIER

Capital \$5,000,000  
Surplus and Profits 25,000,000

The "Hanover" is New York Correspondent of over 4000 Banks

## CONTENTS—Continued

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| <p>conform to the standard terms of credit laid down at the first conference a year ago. Banks cannot enforce the terms, said one speaker. Various reasons were presented why the standard terms should be adhered to—they are more liquid, they are the best terms for the individual, and they are the safest. Dealer endorsement was criticized, and bank credit methods to automobile dealers came in for some criticism.</p> |                         |
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| <p>Important decisions of current interest, handed down by state and Federal courts upon questions of the law of banking and negotiable instruments—Cancellation of Book Subscription and Advertising Contract—Stock Dividend Does Not Belong to Life Beneficiary—Certificate of Deposit Not Protected by Guaranty Fund—Bank Not Liable in Loaning Depositor's Money.</p>   |                         |
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| <p>A reply to Congressman McFadden's article in the December issue of THE BANKERS MAGAZINE. The writer contends that no emergency exists to justify the hurried passage of the bill, that the bill does not remedy the situation, but that a complete and scientific investigation of our banking system must precede legislation on the subject of branch banking, if the legislation is to be sound and constructive.</p>       |                         |
| <b>Brokers Loan Figures to be Published</b> .....   | 295                     |
| <b>Bankers and the Fine Arts</b> .....  | By Alfred C. Bossom 297 |
| <p>A bank's ideals can very well be exemplified in the building and its equipment, and there is a trend in this direction. Nor is the purchase of artistic furniture for banks a waste of money—more often it turns out to be a good investment. Thus bankers are becoming, in the opinion of Mr. Bossom, "practical idealists."</p>  |                         |
| <b>Some Bank Credit Problems</b> .....  | 301                     |
| <p>The Credit Editor continues his discussion of the subject of analysis of financial statements, begun in January. This is the eleventh of the series on credit and credit department methods. The usual questions and answers are also included.</p>  |                         |
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| <p>Items of current interest to bankers about banks and banking in every section of the country are included in this department each month.</p>   |                         |



Our all-year-round  
Special for Banks

*Superior Transit Service*

**Commerce Trust Company**

Capital and Surplus \$8,000,000

Kansas City

## PERSONALITY

For a generation this institution has been devoted to establishing friendly confidence through the personality reflected in the service it renders.

*The*  
**COAL & IRON**  
**NATIONAL**  
**BANK**

OF THE CITY OF NEW YORK



# When industry takes a winter vacation

**I**F MORE people would build in the winter time, it would solve a great problem for the building industry. Great strides have been made in winter building methods and there often are many economies and advantages. But for the most part, when the wind begins to nip, the carpenter must put away his hammer and the mason his trowel.

A measure of the effect of this condition is seen in the records of a great manufacturer of heating equipment.

In February, March and April, production is just about twice as great as shipments. In May and June, production is about one-third larger than shipments. In July and August, shipments begin to be

higher than production. In September, October and November, shipments are twice as large as production. In December and January, production again exceeds consumption.

The financial problems of such a condition can well be imagined and are understood by business men in all lines of industry. Any conservatively managed industry will find at the Seaboard the assistance so frequently required at times like these. Commercial banking, which solves such problems, is the principal business of the Seaboard.

It is the Seaboard's policy to treat each customer's problem as an individual one and enter into it in a wholehearted fashion.

## THE SEABOARD NATIONAL BANK

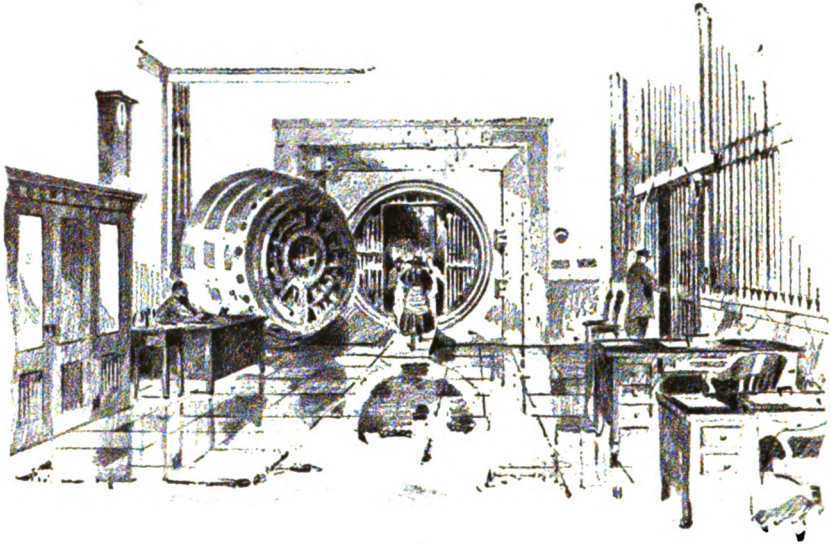
*of the City of New York*

115 Broadway

Broad and Beaver Streets

24 East 45th Street





Associate yourself with this great commercial bank and thus establish a connection with a bank which can care for every phase of your financial interests.



Its broad influence may be of direct personal benefit to you.

## **CORN EXCHANGE NATIONAL BANK PHILADELPHIA**

**MAIN OFFICE  
CHESTNUT ST. AT SECOND**

**CENTRAL CITY OFFICE  
1510-12 CHESTNUT**

## The Publisher's Page

**“WHAT** the Banker Needs to Know About Textiles,” W. Irving Bullard's article, which will appear in the March number of **THE BANKERS MAGAZINE**, presents a comprehensive picture of the present situation in the New England cotton manufacturing industry as viewed from the standpoint of the banker's interest in the industry. The author emphasizes the factors which the banker must consider in dealing with textile mills. He says: “Perhaps the most common mistake which is made in discussions of current conditions and prospects in the New England cotton manufacturing industry is to consider that industry as a whole. Those who have come in close contact with it realize that the industry includes many classes of mills differing from each other as to types of goods manufactured, selling methods, age and condition of buildings and equipment, and quality of management. These factors are of great importance in determining the present position and outlook of individual companies, and the banker above all others must take these factors into consideration in dealing with them.” Mr. Bullard is vice-president of the Merchants National Bank of Boston, Mass. In addition to the wide prominence which he has attained in banking circles, he has long been recognized as an authority on textiles. He has a thorough practical knowledge of the industry, based on years of experience in dealing with it in all its varied phases. The changes which the industry has undergone in recent years, and the important place which it occupies in our business structure, make Mr. Bullard's article of particularly timely interest to bankers.

**I**N his article “Deposit Guaranty; Its Operation, Results, Lessons” which will appear in the March number, Victor Rosewater says: “That the banking situation in the western prairie states has been under severe strain during the last few years and is undergoing considerable

shifting, and this despite deposit guaranty laws that were to have worked the financial millenium, is no secret. Of these states, Nebraska perhaps affords the better field for closer examination because its guaranty system is at least still functioning and exhibits the advantages along with the defects. While it may be said that no bona fide depositor in a protected Nebraska bank has ever lost a dollar of his money, it is also fair to ask, ‘at what cost and in what manner has this been brought about?’” Mr. Rosewater was former editor and publisher of the “Omaha Bee.” He is the author of several books, a lecturer of note, and has for many years been a frequent contributor to magazines of articles on financial and economic subjects. His article appearing in the next number of **THE BANKERS MAGAZINE** won fourth prize in the Prize Contest which was concluded last fall.



**I**N the introduction to his article “Modernizing Bank Credit Methods” appearing in the March number, Carlton P. Fuller says: “Since the right kind of ‘modernizing’ never involves a complete break with the past, this article will attempt in no way to supplant the old credit beacons—‘Character, Capacity, Capital.’ It will aim rather to suggest concrete improvements in methods by which the three C’s may stand out more distinctly. Inasmuch as character is ascertained only by personal contact or references, and capacity is largely revealed by financial results, attention will be concentrated on the use of capital, and the broad conditions which affect that use. The methods suggested are as applicable to small banks as to large, even though the details of the application may vary in every case. Whereas the metropolitan bank may secure specialists to study each line of business, the country banker is forced to be his own expert—which does not exempt him from utilizing the most efficient methods of procedure.”

# —At the New York End

In appointing us your correspondent you employ a business banking service which reaches from the original source to the very end of the transaction—service based upon the cumulative experience of generations, and the spirit of hearty cooperation.



## THE BANK OF AMERICA

ESTABLISHED 1812

NEW YORK CITY

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



## The A B C

of international banking is provided through our 61 branches and offices distributed as follows:

**Argentina Brazil Chile**

and throughout the Americas, France, Spain and England

**Anglo-South American Bank, Ltd.**

and its affiliations

**British Bank of South America**

and

**Commercial Bank of Spanish America**

Represented by

**THE ANGLO-SOUTH AMERICAN  
TRUST COMPANY**

Incorporated under the laws of the State of New York

**49 Broadway, New York**

NORMAN C. STENNING, President

# CENTRAL UNION TRUST COMPANY OF NEW YORK.

80 BROADWAY

Fifth Ave at 60th St. Madison Ave. at 42nd St.



## Condensed Statement as of December 31, 1925

### ASSETS

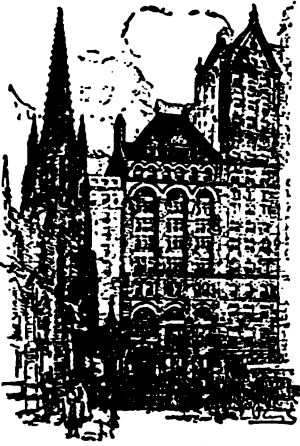
|   |                                |
|---|--------------------------------|
| Cash on hand, in Federal Reserve Bank<br>and due from Banks and Bankers | \$63,953,509.06                |
| United States Bonds . . . . .   | 37,855,991.23                  |
| Municipal Bonds . . . . .   | 6,544,388.74                   |
| Loans and Discounts . . . . .   | 237,560,508.81                 |
| Short Term Securities . . . . .   | 3,916,540.66                   |
| Bonds and Other Securities . . . . .                                    | 3,177,702.28                   |
| Stock in Federal Reserve Bank . . . . .                                 | 900,000.00                     |
| Real Estate . . . . .   | 3,295,000.00                   |
| Customers' Liability Account of Ac-<br>ceptances . . . . .              | 21,105,197.53                  |
| Interest Accrued . . . . .  | 1,328,755.39                   |
| <b>TOTAL . . . . .</b>  | <b><u>\$379,637,593.70</u></b> |

### LIABILITIES

|  |                                |
|--|--------------------------------|
| Capital . . . . .                      | \$12,500,000.00                |
| Surplus . . . . .                      | 25,000,000.00                  |
| Undivided Profits . . . . .            | 3,107,535.26                   |
| Deposits . . . . .                     | 309,090,920.99                 |
| Dividend Payable January 1, 1926 . .   | 1,500,000.00                   |
| Reserve for Taxes and Interest Accrued | 997,468.11                     |
| Unearned Discount . . . . .            | 338,823.77                     |
| Acceptances . . . . .                  | 27,102,845.57                  |
| <b>TOTAL . . . . .</b>                 | <b><u>\$379,637,593.70</u></b> |

*Capital, Surplus and Undivided Profits  
Over 40 Million Dollars*

MEMBER FEDERAL RESERVE SYSTEM



### Board of Trustees

JAMES C. BRADY  
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 JOHN Y. G. WALKER  
 FRANCIS M. WELD  
 WILLIAM WOODWARD

"THE BANKERS' SERVICE STATION"

# The Best "Ads" We Ever Ran—

were the ones written by our correspondents. Here are a few new ones—some excerpts from letters from our correspondents. An inquiry will bring complete details.

### About the "Republic's" Collateral Call Loan Service

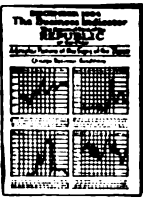


MICHIGAN "We consider your Brokers' Collateral Call Loan Service one of the best pieces of constructive bank work that we have come across insometime."

ILLINOIS "I just want to let you know that we are well pleased with your Brokers' Collateral Call Loan Plan. It has helped us to keep our surplus funds 'on call' at a good rate of interest."

### About the "Republic's" Business Indicator

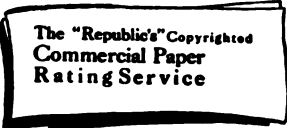
ILLINOIS "We have found the Business Indicator particularly helpful to us here in the bank and I am going to take you up on your offer to imprint the 'Indicator' under our name so that we can distribute copies to our commercial customers."



IOWA "Every month the simple graphic charts of the Business Indicator give us at a glance, a clear-cut picture of the trend of business, so we feel as though we couldn't get along without it."

### About the "Republic's" Commercial Paper Rating Service

TEXAS "Let me congratulate you upon your Commercial Paper Rating Service. It is the very thing we have needed for years to guide us in our commercial paper purchases."



MISSOURI "Your method of presenting credit information relative to commercial paper names is the most complete service I have ever seen. It rivals a Moody Rating on Bonds."



The National Bank of the  
**REPUBLIC**  
OF CHICAGO



JOHN A. LYNCH, *Chairman of the Board*  
DAVID R. FORGAN, *Vice-Chairman*    GEORGE WOODRUFF, *Vice-Chairman*  
HUGO E. OTTE, *President*

Copyrighted N. B. R. 1926

# EXPERIENCE

**O**NE hundred and twenty-three years of continuous operation and steady growth.

Eighty thousand cash and collection items handled daily by a well trained force personally supervised by officers who are "graduates" of the Transit and Collection Departments.

Service taught of experience is dependable service.

THE  
**PHILADELPHIA  
NATIONAL  
BANK**

Capital, Surplus and Profits, \$17,000,000



## When in Philadelphia

CONSIDER the Advantages of Day and Night Banking Service at Five Conveniently-located Points Throughout the City.

THIS is a service of inestimable value to busy men and women, making it possible for them to attend to banking matters in comfort after usual banking hours.

Commuters and those who have frequent occasion to visit Philadelphia will find the maintenance of an account of practical advantage—at our Main Office, Fifteenth and Chestnut Streets or at any of our branches.

Capital and Surplus  
\$3,750,000

Resources, over  
\$33,000,000

## Franklin Trust Company

S. W. Cor. Fifteenth & Chestnut Sts.

### PHILADELPHIA

West Phila. Office  
52nd & Market Sts.

Front St. Office  
Front & Market Sts.

Germantown Office  
5708 Germantown Ave.

Frankford Office  
Frankf'd Ave. & Paul

# DRESDNER BANK



*Head Office:*

**BERLIN W 8**

**Behrenstrasse 35-39**



*Branches in about 100 towns,  
including*

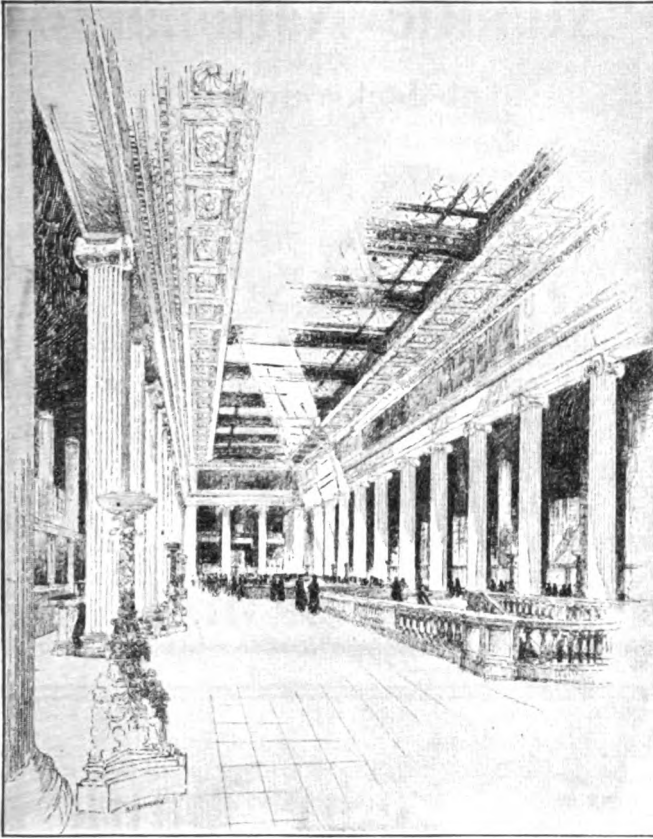
**Aachen, Bremen, Breslau,  
Dresden, Düsseldorf, Essen,  
Frankfort a/M, Hamburg,  
Köln, Leipzig, Lübeck,  
München, Stettin, Wiesbaden  
Danzig Bucharest**

*Telegrams: Dresdbank*

**Amsterdam:**

**PROEHL & GUTMANN**

*Telegrams: Dresdagent*



**W**ITH a clientele embracing every line of business and a board of directors composed of leaders in every branch of commerce and industry, the Illinois Merchants Trust Company has an unusually intimate contact with modern American business.

Our officers consequently have a wide experience and are peculiarly fitted to give effective and intelligent attention to the needs of our correspondent banks.

*Capital and Surplus • Forty-Five Million Dollars*

# ILLINOIS MERCHANTS TRUST COMPANY

*A consolidation of the Illinois Trust & Savings Bank,  
The Merchants Loan & Trust Company and  
The Corn Exchange National Bank*

LA SALLE, JACKSON, CLARK AND QUINCY STREETS • CHICAGO



# The Atlantic National Bank

## of Jacksonville

The Atlantic National Bank is a Florida bank. Its bond department is manned by men with years of experience in Florida investments; its Trust department by specialists in Florida fiduciary matters; it has direct connections with every banking point in the state; its information on Florida is current.

“FOREMOST IN FLORIDA”



*Main Office*  
Fifth Ave. at 32nd Street

# The Bank of United States

Member Federal Reserve System

Resources Over  
**\$75,000,000**

DEPOSITORY FOR  
United States Postal Savings Funds  
State of New York                      City of New York

*Foreign Exchange*

*Domestic and Foreign Letters of Credit Issued*

The steady and consistent growth of this bank is evidence of its constant attention to every detail of banking service. A thoroughly organized foreign department is equipped to handle all classes of foreign financial transactions.

**Accounts of Banks and Bankers Invited**



*Chartered 1836*

## *A Trust Service for Financial Institutions*

**I**N addition to the usual banking facilities offered to its clients, this Company as correspondent for financial institutions places at their disposal the assistance of its Trust Department.

Due to the large amount of trusts in care of the Company and by virtue of the wide and varied Trust experience built upon nearly a century of trust service, the personnel of the Trust Department is well qualified to assist banking clients with their trust problems.

It follows that a trust company or bank maintaining a trust department to which we may be of service may profitably consider this institution as a reserve depository for its funds.

*Individual Trust Funds \$415,000,000*  
*Corporate Funds - \$1,498,000,000*

---

**GIRARD TRUST COMPANY**  
BROAD AND CHESTNUT STREETS • PHILADELPHIA

---



**F**OR one hundred and eleven consecutive years the Pennsylvania Company has unfailingly paid a dividend, despite the wars, crises and financial upheavals through which the country and the world have passed.

This institution, chartered in 1812, has through its integrity and enterprise steadfastly proven its capacity for the highest responsibilities.

Since 1872 the Pennsylvania Company has devoted its entire attention to Banking, Trust and Safe Deposit business. Today the Capital, Surplus and Undivided Profits of the Company amount to over \$20,000,000.

## The Pennsylvania Company

for Insurances on Lives and Granting Annuities

PACKARD BUILDING, PHILADELPHIA

Equipped to Meet Every Banking Need

Main Office  
S. E. Cor. 15th & Chestnut Streets

Down Town Office  
517 Chestnut Street

# *The* CONTINENTAL *and* COMMERCIAL BANKS CHICAGO

Statements of Condition December 31, 1925

## CONTINENTAL *and* COMMERCIAL NATIONAL BANK of CHICAGO

### Resources

|   |                  |                         |
|---|------------------|-------------------------|
| Time Loans . . . . .                                | \$164,525,750.60 |                         |
| Demand Loans . . . . .                              | 132,384,491.91   |                         |
| Acceptances . . . . .                               | 337,599.38       |                         |
| Bonds, Securities, etc. . . . .                     | 21,739,241.91    | \$318,987,083.80        |
| U. S. Bonds and Treasury Notes . . . . .            |                  | 43,613,280.42           |
| Stock of Federal Reserve Bank . . . . .             |                  | 1,200,000.00            |
| Bank Premises (Equity) . . . . .                    |                  | 7,950,000.00            |
| Customers' Liability on Letters of Credit . . . . . |                  | 4,921,290.10            |
| Customers' Liability on Acceptances . . . . .       |                  | 4,808,282.60            |
| Overdrafts . . . . .                                |                  | 13,178.41               |
| Cash and Due from Banks . . . . .                   |                  | 125,488,970.67          |
|   |                  | <u>\$506,982,086.00</u> |

### Liabilities

|   |                  |                         |
|---|------------------|-------------------------|
| Capital . . . . .                                 |                  | \$ 25,000,000.00        |
| Surplus . . . . .                                 |                  | 15,000,000.00           |
| Undivided Profits . . . . .                       |                  | 7,210,201.25            |
| Reserved for Taxes . . . . .                      |                  | 1,568,242.73            |
| Circulation . . . . .                             |                  | 50,000.00               |
| Bills Payable with Federal Reserve Bank . . . . . |                  | 19,000,000.00           |
| Liability on Letters of Credit . . . . .          |                  | 5,768,738.15            |
| Liability on Acceptances . . . . .                |                  | 5,023,773.68            |
| Deposits { Individual . . . . .                   | \$269,693,685.17 |                         |
| { Banks . . . . .                                 | 158,667,445.02   | 428,361,130.19          |
|   |                  | <u>\$506,982,086.00</u> |

## CONTINENTAL *and* COMMERCIAL TRUST *and* SAVINGS BANK

### Resources

|   |                 |                         |
|---|-----------------|-------------------------|
| Demand Loans . . . . .                          | \$16,145,323.87 |                         |
| *U. S. Gov't Bonds and Treasury Notes . . . . . | 23,904,496.02   |                         |
| *Bonds due in 1926 to 1928 inclusive . . . . .  | 12,156,665.14   |                         |
| *Other Bonds . . . . .                          | 11,721,071.35   |                         |
| Cash and Due from Banks . . . . .               | 33,515,597.20   | \$97,443,153.58         |
| Time Loans . . . . .                            |                 | 21,591,569.34           |
|   |                 | <u>\$119,034,722.92</u> |

\*Adjusted to cost or market price, whichever is lower

### Liabilities

|  |                 |                         |
|--|-----------------|-------------------------|
| Capital . . . . .                                    | \$ 5,000,000.00 |                         |
| Surplus . . . . .                                    | 10,000,000.00   |                         |
| Undivided Profits . . . . .                          | 1,853,766.13    |                         |
| Reserved for Taxes, Interest and Dividends . . . . . | 1,766,998.45    | \$ 18,620,764.58        |
| Demand Deposits . . . . .                            | \$30,632,977.55 |                         |
| Time Deposits . . . . .                              | 60,540,367.62   |                         |
| Special Deposits . . . . .                           | 9,240,613.17    | 100,413,958.34          |
|  |                 | <u>\$119,034,722.92</u> |

Total Resources . . . . \$626,016,808

Total Deposits . . . . 528,775,088

Invested Capital over . 62,000,000

# For Your Fiduciary Business In Massachusetts

During more than 48 years of active fiduciary experience in Massachusetts we have met and solved practically every type of Trust and Estate problem.

This Company offers its spe-

cial training and experience to individuals and corporations having fiduciary business in this State, and invites correspondence with the President or other officers of the Company.

CHARLES E. ROGERSON, *President*

## BOSTON SAFE DEPOSIT & TRUST COMPANY

100 FRANKLIN STREET

*At* ARCH and DEVONSHIRE STREETS

*Boston 6*



PRESENTED TO THE CORPORATION OF  
NORFOLK BY L<sup>TD</sup> GUY ROBERT DINWIDDIE  
AM 1782

Organized 1885

UNITED STATES DEPOSITORY

Capital . . . . \$1,000,000  
Surplus and Profits \$1,310,000

W. A. GODWIN . . . . . President  
A. B. SCHWARZKOPF . . . . . Vice-President  
J. B. DEY, Jr. . . . . Vice-President and Cashier  
C. S. WHITEHURST . . . . . Vice-President  
I. T. VAN PATTEN . . . . . Asst. Cashier  
E. D. DENBY . . . . . Asst. Cashier  
R. H. MOORE . . . . . Asst. Cashier  
H. B. REARDON . . . . . Auditor

*The Oldest National Bank  
in Eastern Virginia*

CORRESPONDENTS—National City Bank, New York; National Bank of Commerce, New York; Fourth Street National Bank, Philadelphia; Philadelphia National Bank, Philadelphia; National Shawmut Bank, Boston; Merchants National Bank, Baltimore.

Our growth is the direct result of the confidence of the business world in our bank—a bank that has cultivated an intimate appreciation of business problems and has tried to be helpful in up-building vital business interests of our country.



FOR over 54 years the name of this institution has stood for all that is substantial and dependable in financial affairs in Detroit.

Resources over  
\$150,000,000

## THE PEOPLES STATE BANK DETROIT, MICHIGAN

## Citizens Bank & Trust Co.

TAMPA, FLA.

Member Federal Reserve System



Capital - - - - \$1,000,000.00  
Surplus and Undivided Profits 1,250,000.00

Our extensive connections and complete facilities enable us to handle all branches of foreign and domestic banking with the highest degree of efficiency

*Collections given special attention, and prompt remittances made*

DR. LOUIS A. BIZE, President  
W. W. TRICE, Vice-President and Trust Officer  
D. H. LANEY, Vice-President and Cashier  
ISAAC MAAS, Vice-President D. C. GILLET, Vice-President  
L. L. BUCHANAN, Vice-President  
C. E. HESTER, Assistant Cashier and Credit Manager  
W. W. BLOUNT, Assistant Cashier D. B. RENFRO, Assistant Cashier  
JOHN T. BIZE, Assistant Cashier ASHBY GIBBONS, Assistant Cashier  
R. W. CLAPP, Assistant Cashier S. W. McCORD, Assistant Cashier  
A. M. EDWARDS, Auditor  
K. M. KRUSE, Contact Man

# NATIONAL PROVINCIAL BANK

LIMITED

Established 1833

(\$5=£1)

|                          |               |
|--------------------------|---------------|
| Subscribed Capital - - - | \$218,085,400 |
| Paid-Up Capital - - -    | 47,397,080    |
| Reserve Fund - - -       | 47,897,080    |

**Head Office:** 15, BISHOPSGATE, LONDON, E. C. 2

UNION BANK OFFICE: 2 Princes Street, London, E. C. 2

OVER 1,100 OFFICES in ENGLAND and WALES

The Bank offers special facilities for the conduct of accounts of  
Colonial and Foreign Banks

AFFILIATED BANKS

COUTTS & CO., GRINDLAY & CO., LTD.

ASSOCIATED BANKS:

Bank of British West Africa, Ltd.

Lloyds & National Provincial Foreign Bank Ltd.

P. & O. Banking Corporation, Ltd.

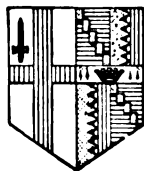
The British Italian Banking Corporation, Ltd.

## BANKER & TRADESMAN

New England's Leading Business Weekly—Covers  
the Business, Financial and Real Estate News of  
the New England States

*Write for Sample Copy*

Banker & Tradesman, 465-475 Main St., Cambridge, Mass.



## A Complete Banking Service

The Midland Bank offers exceptional facilities for the transaction of banking business of every description. Together with its affiliations it operates 2,250 branches in Great Britain and Northern Ireland, and has agents and correspondents in all parts of the world. The Bank has offices in the Atlantic Liners *Aquitania*, *Berengaria* and *Mauretania*, and a foreign branch office at 196 Piccadilly, London, specially equipped for the use and convenience of visitors in London.

# MIDLAND BANK

LIMITED

HEAD OFFICE: 5 THREADNEEDLE STREET, LONDON, E.C. 2

Affiliated Banks: Belfast Banking Co. Ltd., Northern Ireland; The Clydesdale Bank Ltd., and North of Scotland Bank Ltd., Scotland.

## Glyn, Mills & Co.

(Established 1753)  
Registered with unlimited liability, 1885  
Incorporating

CHILD & CO. and HOLT & CO.  
(Established before 1800) (Established 1809)

### BANKERS

Army and Air Force Agents, Navy and Prize Agents

Head Office - 67, Lombard St. London, E. C. 3

Childs Branch - - 1, FLEET STREET, LONDON, E. C. 4

Holts Branch - 3 & 4, WHITEHALL PLACE, LONDON, S. W. 1

Current and Deposit Accounts opened on the usual terms.

The Bank has Agents or Correspondents in all the principal cities or towns throughout the World, and can provide Banking facilities for its customers wherever desired. Letters of Credit and Circular Notes issued on our Foreign Correspondents and Agents throughout the World.

Currency Drafts obtained; Remittances mailed and Telegraphic Transfers made to all parts of the World.

Foreign Currency Accounts opened.

Purchase and Sale of Stocks, Bonds and Shares effected and custody of securities undertaken.

Dividends, Annuities, etc., received; forms authorising their receipt supplied, and coupons collected for customers.

Recovery of Income Tax and Preparation of Income and Super-tax Statements undertaken. The Bank has a special department to advise and assist customers on questions relating to Income and Super-tax.

The duties of Executors and Trustees undertaken.

Navy and Prize Agents. Salvage claims preferred.





ESTABLISHED 1832

## Banking Service in Canada, Newfoundland and West Indies

With 265 branches in Canada, 18 in Newfoundland, 10 in Jamaica and 9 in Cuba, Porto Rico and the Dominican Republic, we are well equipped to handle the accounts of banks and corporations wishing to do business with these points.

**Capital Paid-Up - - \$10,000,000**  
**Reserve Fund - - \$19,500,000**  
**Total Assets over - \$220,000,000**

# The Bank of Nova Scotia

**GENERAL MANAGER'S OFFICE: TORONTO, ONT.**

J. A. McLEOD, General Manager

**NEW YORK AGENCY - - - - 49 WALL STREET**

P. W. MURPHY and F. W. MURRAY, Agents

**LONDON BRANCH: 108 Old Broad St., E. C. 2**

### CORRESPONDENTS

**LONDON, ENG.—Midland Bank Limited, Bank of England,  
Royal Bank of Scotland**

**NEW YORK—Bank of New York & Trust Co.**

**National Bank of Commerce in New York**

*Facilitate Your Canadian Collections*

# THE BANK OF TORONTO

Incorporated 1855

Offers to Banks and Business Houses in the United States and Foreign countries prompt, accurate, satisfactory service through its branches at

*Toronto, Ontario Montreal, Quebec Winnipeg, Manitoba  
Calgary, Alberta Vancouver, British Columbia*

Each of these offices handles items drawn on any point in Canada

## *Correspondence Invited*

Close rates of exchange are given on amounts transferred

Interest allowed on balances

Capital  
\$5,000,000

Reserves  
\$7,000,000

—  
JOHN R. LAMB  
*General  
Manager*



—  
Branches or agents at  
all important points  
in the Dominion.

*Head Office: TORONTO, CANADA*

# HARRIS, FORBES & CO

Successors to N. W. HARRIS & CO., New York

Pine Street, Corner William  
NEW YORK

## BONDS FOR INVESTMENT

Harris, Forbes & Company  
Incorporated  
Boston

Harris Trust & Savings Bank  
Bond Department  
Chicago

Established 1878

# Imperial Bank of Canada

HEAD OFFICE, TORONTO

Capital (Paid Up) . . . . \$7,000,000  
 Reserve Fund . . . . . 7,500,000

PELEG HOWLAND, PRESIDENT

SIR JAMES WOOD, VICE-PRESIDENT

A. E. PHIPPS, GEN. MANAGER G. D. BOULTON, ASST. GEN. MANAGER

H. T. JAFFRAY, ASST. GEN. MANAGER

**Agents and Correspondents****UNITED STATES**

New York—Bank of the Manhattan Co.  
 Boston—National Shawmut Bank.  
 Philadelphia—Fourth St. National Bank  
 Buffalo—Marine Trust Co.  
 Chicago—First National Bank.  
 San Francisco—Wells Fargo Bank &  
 Union Trust Co.  
 Seattle—Seattle National Bank.  
 Minneapolis—First National Bank.

**GREAT BRITAIN and IRELAND**

England—Lloyds Bank, Limited.  
 Scotland—The Commercial Bank of Scot-  
 land.  
 Ireland—Northern Banking Co., Limited,  
 Belfast, and Branches.

**FRANCE, BELGIUM and SWITZERLAND**

Lloyds & National Provincial Foreign  
 Bank, Ltd.

Having as its correspondents the largest and strongest banks throughout the world, the Imperial Bank of Canada is in a position to afford the most efficient banking service.

With 319 branches in Canada our facilities for handling business throughout the Dominion are unexcelled.

## Bank of Liverpool & Martins Limited.

Head Office: 7, WATER STREET, LIVERPOOL.

London Office: 68, LOMBARD STREET, LONDON, E.C. 3.

|   |                        |
|---|------------------------|
| Capital Subscribed .....                | \$5=£1<br>\$93,955,600 |
| Capital Paid Up .....                   | 11,744,450             |
| Reserve Fund and Surplus Profits.....   | 9,941,780              |
| Deposits, etc., at 31st Dec., 1925..... | 299,098,130            |

379 BRANCHES AND SUB-BRANCHES.

*All descriptions of Banking, Trustee and Foreign  
 Exchange Business Transacted.*

The Bank is prepared to act as Agent for Foreign Banks  
 on usual Terms

# Banca Nazionale di Credito

Capital - - Lit. 300,000,000

HEAD OFFICE: MILAN, ITALY

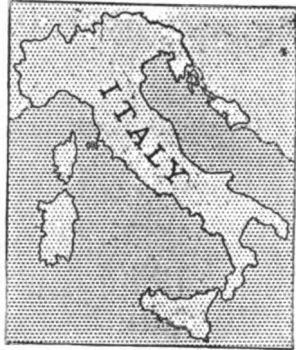
Over 60 Branches and Agencies Throughout Italy



ROME OFFICE

# In Every Important Italian Market

**I**N EIGHTY commercial and industrial centers of Italy a branch of the Banca Commerciale Italiana performs all the functions of a local bank, with its services closely interwoven with the business affairs of the community it serves.



The New York Agency of this institution, therefore, brings to American bankers and business men an intimate knowledge of Italian commerce and industry obtained by constant and direct relationship with these eighty Italian business centers. Foreign branches and affiliations extend our service to England, France, Switzerland, Poland, Czecho-Slovakia, Austria, Hungary, Roumania, Jugoslavia, Bulgaria, Turkey and throughout South America. Facilities thus provided for American foreign trade are of exceptional breadth and scope.

## Banca Commerciale Italiana

Head Office, MILAN, ITALY

Authorized Capital Lire 700,000,000

Surplus Lire 300,000,000

**NEW YORK AGENCY, 62-64 WILLIAM STREET**

Telephone John 1000

*Organized*

## Banca Commerciale Italiana Trust Company

Capital \$1,000,000

Surplus \$500,000

**62-64 WILLIAM STREET, NEW YORK**

Telephone John 4666

*All Banking Facilities*

A Native Bank in Peru  
for all Banking Operations  
**BANCO ITALIANO**

LIMA, PERU

Established 1889

Capital Fully Paid Lp. 500,000,000

Surplus . . . Lp. 589,553,670

## BRANCHES

Callao—Arequipa—Chincha Alta—Mollendo—Trujillo  
*Representatives for the U. S. A.*

**Banca Commerciale Italiana**

Agency in New York . . . 62-64 William Street

Phone: John 1000



# Commerz-und Privat-Bank

## Aktiengesellschaft

(Established 1870)

**HAMBURG-BERLIN**

and

Two hundred twenty other places throughout Germany

*Capital and Surplus, R.M. 63,000,000***All Banking Transactions***Extensive Trade Information Service*

Cable address for main offices and branches

"HANSEATIC"

# Austin National Bank

AUSTIN, TEXAS

Capital \$300,000

Surplus and Profits \$726,000

Resources \$8,622,663

WM. H. FOLTS, President

JOHN H. CHILES, Vice-President

MORRIS HIRSHFELD, Vice-President

T. H. DAVIS, Vice-President

C. M. BARTHOLOMEW, Vice-Pres. &amp; Cashier

S. E. ROBERDEAU, Asst. Cashier

LEFFLER CORBITT, Asst. Cashier

This old established bank is thoroughly equipped in every department. Its strong financial position, efficient management and reputation commend it to banks, bankers and individuals requiring a good banking connection at the capital of the Union's largest State.

We are at the center of an Empire of Business and would like to represent you here

# The National Bank of New Zealand, Ltd.

Authorized Capital, \$30,000,000  
 Subscribed Capital, \$22,500,000  
 Paid-up Capital, \$ 7,500,000  
 Reserve Fund, \$ 7,350,000

## Head Office

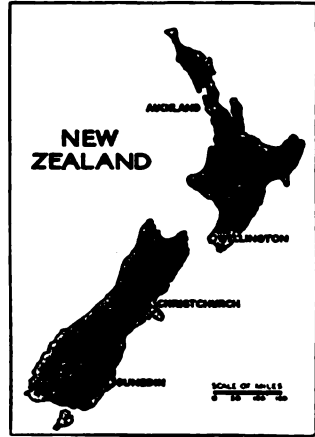
8 Moorgate Street, London, E.C. 2

Manager, ARTHUR WILLIS

## Chief Office

In New Zealand at Wellington

General Manager, ALFRED JOLLY



**83 Branches and Agencies Throughout New Zealand.**

**Bills of Exchange Collected. Wool and Produce Credits Arranged.  
 All Classes of Banking Business Undertaken.**

# BARCLAYS BANK (DOMINION, COLONIAL AND OVERSEAS)

Head Office: 54 LOMBARD STREET, LONDON, E.C.3.

Formerly

## THE COLONIAL BANK

Incorporated in 1838 by Royal Charter.  
 Reincorporated by Act of Parliament, 1925.  
 with which is amalgamated

## THE ANGLO-EGYPTIAN BANK LIMITED

London Offices:

29 Gracechurch Street, E.C.3, for business in the British West Indies, British Guiana, and West Africa.

37 to 39 King William Street, E.C.4, for business in Egypt, the Soudan, Palestine, and the Mediterranean.

Other Offices:

Liverpool - - - 25 Castle Street. New York Agency, 3 So. William Street.  
 Manchester - - - 21 York Street. Hamburg - - - Adolphsplatz 4.

Arrangements are in course of completion for amalgamation with

## THE NATIONAL BANK OF SOUTH AFRICA LIMITED

The necessary Resolutions having been passed by the Shareholders of that Institution on the 2nd November, 1925.

London Offices:

Circus Place, London Wall, E.C.2.

111 St. Martin's Lane, Trafalgar Square, W.C.2.

New York Agency:

44 Beaver Street, New York City.

And Branches in the Transvaal, Cape Province, Natal, Orange Free State, Rhodesia, Swaziland, Portuguese East Africa, Basutoland, South West Africa, Tanganyika, Nyassaland, Kenya Colony, and the Mauritius.

The Bank is prepared to act as Agent for Home, Colonial, and Foreign Banks



# THE BANK OF TAIWAN, LTD.

Incorporated by Special Imperial Charter, 1899

**Head Office: TAIPEH, JAPAN**

**Capital Subscribed.....Yen 60,000,000**

**Capital Paid Up .....Yen 52,500,000**

**Reserve Funds.....Yen 14,180,000**

**KOJURO NAKAGAWA, Esq.**  
President

**HIROZO MORI, Esq.**  
Vice-president

**Directors**

**GUNJI KAWASAKI, Esq.**  
**DENKICHI TAKITA, Esq.**

**TADASU HISAMUNE, Esq.**  
**MASAKAZU SHUTO, Esq.**

***Branches :***

**JAPAN—Tokyo (General Manager's Office), Kobe, Osaka, Yokohama.**

**TAIWAN—Giran, Heito, Kagi, Karenko, Keelung, Mako, Nanto, Shinchiku, Taichu, Tainan, Takao, Taito, Toyen.**

**CHINA—Amoy, Canton, Foochow, Hankow, Shanghai, Swatow.**

**OTHERS—Hongkong, London, New York, Singapore, Semarang, Soerabaia, Batavia, Bombay, Bangkok, Calcutta, Dairen.**

**New York Office: 165 Broadway**

**K. YAMAMOTO, Agent**

**London Office: 25 Old Broad Street**

**Cable Transfers, Drafts, and Letters of Credit issued; the Negotiation and Collection of Bills of Exchange and other Banking Business transacted through our various Branches as well as correspondents in all parts of the world; offers exceptional facilities for handling transactions in the Far East.**



# The Sumitomo Bank, Limited

Cable address: "Sumitbank"

ESTABLISHED 1913

(Successors to The Sumitomo Bank)

Capital Subscribed . . . . . Yen 70,000,000

Capital paid up . . . . . " 50,000,000



Head Office : OSAKA, JAPAN

BARON K. SUMITOMO, President

K. YUKAWA, Esq., Managing Director N. YATSUSHIRO, Esq., Managing Director  
S. IMAMURA, Esq., Managing Director

New York Agency, 149 Broadway, New York

G. HIGASHI, Agent

#### HOME OFFICES

Osaka (12)  
Shimonoseki  
Kurume

Tokyo (15)  
Moji  
Kure

Yokohama  
Hiroshima (2)  
Wakamatsu

Kobe (3)  
Hakata  
Kokura

Kyoto (2)  
Yanai  
Nagoya

Niigata  
Onomichi  
Kumamoto  
Okayama

Foreign Branches—Shanghai, New York, London, Hankow, San Francisco, Los Angeles, Bombay

Affiliated Banks—The Sumitomo Bank of Hawaii, Ltd., Honolulu, T. H.; The Sumitomo Bank of Seattle, Seattle, Wash.; and The Sumitomo Bank of California, Sacramento, Cal.

Bankers—National City Bank of New York, New York;

Lloyds Bank, Ltd. London; Lloyds & National Provincial Foreign Bank, Ltd., Paris.

#### Correspondents in All Important Places at Home and Abroad

The Bank buys, sells and receives for collection drafts and telegraphic transfers; issues Commercial and Travellers Letters of Credit available in all important parts of the world, and acts as Trustee for Mortgage Bond, besides doing general Banking Business.

# THE MITSUI BANK, LTD.

Capital Subscribed . . . . . Yen 100,000,000.00

Capital Paid-Up . . . . . Yen 60,000,000.00

Reserve Funds (June 1925). . . . . Yen 51,400,000.00



Head Office : TOKYO, JAPAN

(No. 5 Honkawayacho, Nihonbashi-ku)

President

G. MITSUI, Esq.

Managing Directors

S. IKEDA, Esq.

N. KIKUMOTO, Esq.

H. KAMESHIMA, Esq.

R. IMAI, Esq.

New York Agency, 61 Broadway, New York City

#### Home Branches:

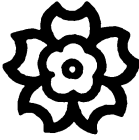
Fukuoka, Hiroshima, Kobe, Kyoto, Marunouchi (Tokyo), Moji,  
Nagasaki, Nagoya, Nihonbashi (Tokyo), Osaka (4), Otaru,  
Shimonoseki, Wakamatsu (Kyushu), Yokohama

#### Foreign Branches:

Bombay London New York Shanghai Sourabaya

# The Bank of Chosen

Incorporated by Special Charter of Imperial Japanese Government, 1909

|                          |   |                 |
|--------------------------|---|-----------------|
| Capital Subscribed . . . |  | Yen 80,000,000  |
| Capital Paid-Up . . .    |   | Yen 50,000,000  |
| Total Resources . . .    |   | Yen 660,000,000 |

## Head Office, Keijo (Seoul), Chosen (Korea)

Governor, K. NONAKA

Deputy Governor, S. SUZUKI

Y. KATAYAMA

Directors  
I. IUCHI

M. HASHIMOTO

### FOREIGN DEPARTMENT: TOKYO

(All communications relating to the arrangements of correspondents and the Bank's general foreign business to be addressed to the Foreign Department)

#### Principal Branches:

**CHOSŌN:** (*Korea*) Chemulpo, Pyengyang, Wonsan, Fusan, Taiku.  
**MANCHURIA:** Mukden, Dairen, Changchun, Newchang, Harbin, Antung.  
**JAPAN:** Tokyo, Osaka, Kobe, Shimonoseki.  
**CHINA:** Shanghai, Tsingtao, Tientsin, Tsinan  
**SIBERIA:** Vladivostok.

## New York Agency, 165 Broadway

H. YAMASHITA, Agent

# The Kajima Bank, Limited

Established in 1888

|                          |   |                   |
|--------------------------|---|-------------------|
| CAPITAL SUBSCRIBED       |  | Yen 30,200,000.00 |
| CAPITAL PAID UP . . .    |   | 18,875,000.00     |
| RESERVE FUNDS . . .      |   | 5,900,000.00      |
| DEPOSITS (June 30, 1925) |   | 172,915,129.34    |

|   |                                |   |
|---|--------------------------------|---|
| Yukinori Hoshino, Esq., Managing Director | Keizo Hirooka, Esq., President | Chusuke Yoshii, Esq., Managing Director |
| Seishichi Kawakami, Esq., Managing Dir.   |                                | Seijiro Gion, Esq., Director            |
| Hikotaro Ohmura, Esq., Director           |                                | Tadanosuke Emura, Esq., Director        |
| Shikazo Sato, Esq., Director              |                                | Kyuemon Hirooka, Esq., Auditor          |
| Manroku Matsui, Esq., Auditor             |                                | Kin-ichiro Hoshijima, Esq., Auditor     |

## Head Office, Osaka, Japan

#### Principal Branches:

Tokyo Kyoto Kobe Okayama Hiroshima Fukuyama Tokuyama

## General Banking, Foreign Exchange and Trust Business Transacted

#### New York Correspondents

Yokohama Specie Bank, Ltd.  
 Bank of Taiwan, Ltd.  
 American Express Co.  
 Irving Bank-Columbia Trust Co.  
 Guaranty Trust Company of New York

#### London Correspondents

Yokohama Specie Bank, Ltd.  
 Bank of Taiwan, Ltd.  
 Midland Bank Ltd.  
 Bank of London and South America, Ltd.

# SKANDINAVISKA KREDITAKTIEBOLAGET

Established in 1864

GOTHENBURG      STOCKHOLM      MALMÖ

Branches  
In All Parts of Sweden

PAID-UP CAPITAL AND RESERVES  
KR. 182,000,000

Telegraphic Address: Kreditbolaget

Foreign Exchange bought and sold, bills collected, deposit  
and current accounts opened and all kinds of banking  
business transacted

## Commercial Bank of Greece

(A Limited Liability Company registered in Athens)

*Head Office: Athens*

*Branches: Piraeus, Argos, Pyrgos, Patras, Corfou, Cephalonia, Nauplie,  
Vostizza, Calamata, Syra, Chio, Candia, Volo, Salonica, Larissa,  
Triccala, Mytilene, Canea, Zante, Plomari and Tripolitza*

*ASSOCIATED BANK in LONDON*

### The Commercial Bank of The Near East, Ltd.

4 London Wall Buildings, E. C. 2

*with branch in CONSTANTINOPLE*

*Correspondents in the principal towns of Greece and in foreign countries  
throughout the world*

**GENERAL BANKING BUSINESS TRANSACTED**

Collections, Letters of Credit, Cable Transfers, Current  
and Term Deposits, Etc.

**Capital and Reserves . . . Dr. 58,106,143**

of the above Dr. 25,000,000 are represented by assets of £1,000,000 evaluated at Dr. 25

# Nederlandsche Handel-Maatschappij.

(NETHERLANDS TRADING SOCIETY).

Established by Royal Charter A.D. 1824.

|                             |              |                             |
|-----------------------------|--------------|-----------------------------|
| Capital Paid up.....        | f.80,000,000 | Neth. Currency (£6,666,666) |
| Statutory Reserve Fund..... | f.20,536,861 | “ “ (£1,711,405)            |
| Extraordinary Reserve Fund  | f.22,660,000 | “ “ (£1,888,333)            |

Head Office: AMSTERDAM.

Branches in HOLLAND: ROTTERDAM, THE HAGUE.

Branches in the NETHERLANDS INDIES: BATAVIA, SOURABAYA, SAMARANG, MEDAN, and further Principal Ports.

Branches in the STRAITS SETTLEMENTS, BRITISH INDIA, CHINA and JAPAN: SINGAPORE, PENANG, RANGOON, CALCUTTA, BOMBAY, HONGKONG, SHANGHAI and KOBE.

Grant Drafts and Issue Letters of Credit on all their Branches and Correspondents in the East, on the Continent, on Great Britain, Africa, America and Australia, and transact Banking Business of every description.

LONDON CORRESPONDENTS :

The National Provincial Bank, Ltd., LONDON.

## The Union Bank of Australia, Limited

Established 1837. Incorporated 1880.

|                                    |            |
|------------------------------------|------------|
| Capital Authorized and Issued..... | £9,000,000 |
| Capital Paid-Up .....              | £3,000,000 |
| Reserve Fund .....                 | £3,350,000 |
| Reserve Liability of Proprietors   | £6,000,000 |

Head Office—71, CORNHILL, LONDON, E. C. 3

Manager—W. J. ESSAME      Assistant Manager—W. A. LAING  
Secretary—F. H. McINTYRE

198 Branches throughout Australia and New Zealand, viz. :—

In Victoria, 47; In South Australia, 15; In New South Wales, 43; In Western Australia, 20; In Queensland, 19; In Tasmania, 3; In New Zealand, 46.

Agents and Correspondents in all parts of the World

The Bank offers facilities for the transaction of every description of Banking business in Australia and New Zealand.

Bills negotiated or sent for collection. Commercial and Circular Credits issued available throughout the World.

# Let us send you the most interesting banking biography—



The late James B. Forgan

**B**ANKERS everywhere are reading the life story of America's best loved banker—told by himself in a simple, unassuming and yet wholly captivating style. Let us send you for examination a copy of

## Recollections of a Busy Life

By James B. Forgan

The lighter details of the author's experiences as well as the more serious side make this book of interest to all bankers. The youngsters will receive inspiration from the author's account of the reasons for his success and the older generation will enjoy his recollections of banking days of the past.

The Table of Contents includes: Preface; Five Generations; My School Days; My Apprenticeship and Early Business Training; Leaving Home; My Experience as a Clerk in the Bank of British North America; My Career in the Bank of Nova Scotia; My Connection with the Northwestern National Bank of Minneapolis; My Career in the First National Bank of Chicago; The Se-

curity Bank of Chicago and its Ally, the Second Security Bank of Chicago; Chicago Clearing House Committee; Currency Commission; American Bankers Association; My Connection with the Federal Reserve System; Activities Outside of the Banking Business; Moral Reflections; Some of Mr. Forgan's Public Addresses.

The book is attractively bound in full green leather and each copy contains a special page personally autographed by the author. As only a few autographed copies are left we urge you to act promptly and send for yours today.

**BANKERS PUBLISHING CO., 71 Murray St., New York**

If you wish to examine this interesting book at your own desk sign and mail the coupon today . . . .

BANKERS PUBLISHING COMPANY,  
71 Murray Street, New York.

You may send me on 5 days' approval a copy of "Recollections of a Busy Life" by James B. Forgan. At the end of 5 days I will either pay you \$6 or return the book.

Name \_\_\_\_\_  
Bank \_\_\_\_\_  
Address \_\_\_\_\_



# Commonwealth Bank of Australia.

Guaranteed by the Australian Commonwealth Government

## HEAD OFFICE, SYDNEY



Head Office  
Sydney, N. S. W.

Branches in all the principal towns and cities of Australia, at London (2), and Rabaul.

A Savings Bank Department at all Branches and 3,355 Savings Bank Agencies at Post Offices throughout the Commonwealth of Australia, Territories of Papua and New Guinea, Solomon Islands Protectorate and other parts of the Pacific.

### *Agents and Correspondents throughout the World*

#### Banking and Exchange Business

of every description transacted within the Australian Commonwealth,  
United Kingdom, United States, Canada and Abroad

December 31st, 1924

|                       |   |   |                         |
|-----------------------|---|---|-------------------------|
| General Bank Deposits | - | - | \$144,988,059.57        |
| Other Items           | - | - | 41,424,536.18           |
| Savings Bank Deposits | - | - | 204,743,071.46          |
| Note Issue Department | - | - | 284,451,130.00          |
|                       |   |   | <u>\$675,606,797.21</u> |

Cable Remittances made to, and drafts drawn on United States,  
Canada and foreign places direct

Letters of Credit issued to any part of the World

Bills Negotiated or Forwarded for Collection

Current Accounts Opened

Interest on Fixed Deposits

Advances made against approved Securities

**JAMES KELL, Esq., Governor**

THE  
**NATIONAL BANK OF AUSTRALASIA**  
 LIMITED

ESTABLISHED . . . 1858.

Head Office: MELBOURNE

|                                  |               |
|----------------------------------|---------------|
| Authorized Capital (@ \$5 to £1) | \$50,000,000  |
| Capital Paid Up                  | \$20,000,000  |
| Reserve Fund                     | \$11,500,000  |
| Total Assets March, 1925         | \$205,888,875 |

With its 469 well spread offices the Bank provides a complete banking service throughout Australia, and is well equipped for the transaction of all classes of foreign business.

Chief Manager  
**E. H. WREFORD**

Deputy Chief Manager  
**JAMES WILSON**

Chief Inspector  
**J. A. G. HADLEY**

Inspector and Manager, Foreign Department: **E. J. OSBORNE**

London Office - 7 LOTHBURY, E.C.2.

**English, Scottish & Australian Bank,**  
 Limited

|   |              |
|---|--------------|
| Authorized Capital . . . . .                | \$18,750,000 |
| Paid-up Capital . . . . .                   | \$11,250,000 |
| Further Liability of Shareholders . . . . . | \$7,500,000  |
| Reserve Fund . . . . .                      | \$9,750,000  |

**HEAD OFFICE:—5, GRACECHURCH STREET, LONDON, E.C. 3**  
**and 384 Branches and Agencies in Australia**

**Chief Office in Australia—Collins Street, Melbourne**

BANKING AND EXCHANGE BUSINESS of every description transacted with Australia. **BILLS NEGOTIATED** or sent for **COLLECTION** **REMITTANCES** made by **TELEGRAPHIC TRANSFER**. **WOOL** and **PRODUCE CREDITS** arranged. **LETTERS of CREDIT** and **DRAFTS** issued on all the Branches of the Bank.

**Chief Agents in United States**

**NEW YORK—Guaranty Trust Company of New York.**

**CHICAGO—First National Bank.**

**SAN FRANCISCO—Crocker National Bank.**

**E. M. JANION, Manager.**



# THE BANK OF AUSTRALASIA

(Incorporated by Royal Charter, 1835)

**Paid-up Capital - - - - - £4,000,000**  
**Reserve Fund - - - - - £3,700,000**  
**Reserve Liability of Proprietors**  
**under the Charter - - - - £4,000,000**  
**£11,700,000**

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 Malvern  
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 Castlemaine  
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 Drouin  
 Euroa  
 Fish Creek  
 Foster  
 Geelong  
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 Kingston  
 Kerit  
 Korong Vale  
 Korumburra  
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 Numurkah  
 Port Fairy (Belfast)  
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 Corowa  
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 Derrigo  
 Dubbo  
 Forbes  
 Glen Innes  
 Goulburn  
 Grafton  
 Grenfell  
 Hamilton  
 Howlong  
 Jerilderie  
 Kempsey  
 Kyogle  
 Lismore  
 Maitland (West)  
 Maitland (East)  
 Moree  
 Murwillumbah  
 Muswellbrook  
 Narrabri  
 Narromine  
 Newcastle  
 Nowra  
 Orange  
 Parkes  
 Peak Hill  
 South Grafton  
 Stroud  
 Tamworth  
 Tullamore  
 Wagga-Wagga  
 Wee Waa  
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 Chillagoe  
 Cooyar  
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 Stratford  
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 Tauranga  
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Te Kuiti  
 Temuka  
 Te Puke  
 Timaru  
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 Waipukurana  
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AFRICAN BANKING CORPORATION, LIMITED)

Bankers to the Government of the Union of South Africa  
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South Africa; and to the Administration of Rhodesia.

|                    |   |   |   |   |   |                    |
|--------------------|---|---|---|---|---|--------------------|
| Authorised Capital | - | - | - | - | - | <b>£10,000,000</b> |
| Subscribed Capital | - | - | - | - | - | <b>£8,916,660</b>  |
| Paid-Up Capital    | - | - | - | - | - | <b>£2,229,165</b>  |
| Reserve Fund       | - | - | - | - | - | <b>£2,893,335</b>  |
| Uncalled Capital   | - | - | - | - | - | <b>£6,687,495</b>  |
|                    |   |   |   |   |   | <b>£11,809,995</b> |

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# BANK OF NEW SOUTH WALES

AUSTRALIA

|                                      |  |                     |
|--------------------------------------|--|---------------------|
| Paid-up Capital - -                  |  | \$30,000,000        |
| Reserve Fund - - -                   |  | 22,000,000          |
| Reserve Liability of Proprietors - - |  | 30,000,000          |
|                                      |  | <u>\$82,000,000</u> |



Aggregate Assets, 30th Sept., 1925, \$400,047,015

OSCAR LINES, General Manager

414 BRANCHES AND AGENCIES

414 BRANCHES AND AGENCIES

**AUSTRALIA**  
 Pop., 6,000,000; area, 2,974,581 sq. miles; sheep, 78,803,000; cattle, 14,350,000; horses, 2,400,000; imports, \$702,849,265; exports, \$597,837,035.

**Annual Value of Australia's Products**

|                     |                 |
|---------------------|-----------------|
| Agriculture .....   | \$420,910,000   |
| Pastoral .....      | 457,375,000     |
| Dairying .....      | 217,708,370     |
| Mining .....        | 101,580,800     |
| Manufacturing ..... | 1,632,185,000   |
| Total .....         | \$2,830,059,170 |

Head Office—George St., Sydney      London Office—29 Threadneedle St., E. C.

## 414 BRANCHES AND AGENCIES

In all the Australian States, New Zealand, Fiji, Papua (New Guinea) and London  
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*Foreign Bills Negotiated and Collected.      Letters of Credit Issued.*

NEGOTIABLE THROUGHOUT THE WORLD

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 National Bank of Commerce in New York

Agents in San Francisco, Bank of California National Association, Crocker National Bank and Anglo and London Paris National Bank

# Guaranty Trust Company of New York

140 Broadway

LONDON    PARIS    BRUSSELS    LIVERPOOL    HAVRE    ANTWERP

## Condensed Statement, December 31, 1925

### RESOURCES

|   |                         |
|---|-------------------------|
| Cash on Hand, in Federal Reserve Bank<br>and Due from Banks and Bankers ..... | \$162,995,748.94        |
| U. S. Government Bonds and Certificates .....                                 | 34,980,695.39           |
| Public Securities .....   | 15,762,171.73           |
| Other Securities .....  | 21,593,855.71           |
| Loans and Bills Purchased .....   | 382,279,794.05          |
| Real Estate Bonds and Mortgages .....   | 1,565,650.00            |
| Items in Transit with Foreign Branches .....                                  | 5,548,257.48            |
| Credits Granted on Acceptances .....  | 40,263,426.45           |
| Real Estate .....   | 7,980,926.04            |
| Accrued Interest and Accounts Receivable .....                                | 6,637,400.72            |
|   | <u>\$679,607,926.51</u> |

### LIABILITIES

|  |                         |
|--|-------------------------|
| Capital .....                                  | \$ 25,000,000.00        |
| Surplus Fund .....                             | 15,000,000.00           |
| Undivided Profits .....                        | 6,884,933.80            |
|  | <u>\$ 46,884,933.80</u> |
| Bills Payable .....                            | 5,000,000.00            |
| Accrued Interest, Reserve for Taxes, etc. .... | 6,046,070.19            |
| Acceptances .....                              | 40,263,426.45           |
| Outstanding Treasurer's Checks .....           | 34,055,743.55           |
| Deposits .....                                 | \$547,357,752.52        |
|  | <u>\$679,607,926.51</u> |

# THE BANKERS MAGAZINE

ELMER H. YOUNGMAN, Editor

EIGHTIETH YEAR

FEBRUARY 1926

VOLUME CXII, NO. 2

## Editorial Comment

### American Attitude Toward Foreign Loans

**T**HERE has been much discussion, on both sides of the Atlantic regarding the American attitude toward existing debts to this country and the making of fresh loans. Just what this attitude is was thus clearly set forth in the recent Annual Report of the Secretary of the Treasury:

"While the integrity of international obligations must be maintained it is axiomatic that no nation can be required to pay to another government sums in excess of its capacity to pay. The commission in its settlement with Great Britain, made on June 19, 1923, and in subsequent negotiations or settlements has adhered to the principle that the adjustments made with each government must be measured by the ability of the particular government to put aside and transfer to the United States the payments called for under the funding agreement. Nor does the principle of capacity to pay require the foreign debtor to pay to the full limit of its present or future capacity. It must be permitted to preserve and improve its economic position, to bring its budget into balance, and to place its finances and currency on a sound basis, and to maintain and, if possible, to improve the standard of living of its citizens. No settlement which is oppressive and retards the recovery and development of the foreign debtor is to the best in-

terests of the United States or of Europe."

This is a definite statement of the attitude of the American Government, both with respect to its policy as regards the obligations of those indebted to this country and the modifications of this policy according to the economic situation of the debtor countries.

Why it was necessary to insist that these debts be paid is thus plainly stated by Secretary Mellon:

\* \* \* "Early in the Administration of President Harding it became apparent that one of the first problems to be dealt with was that of protecting the billions of dollars of loans made by the United States to foreign governments during the war. The cash advances and credits granted represented money borrowed by the United States from its citizens. These sums must be repaid them with interest."

This fact is well understood in the United States, but among some of the debtor countries there appears to be an impression that the United States Treasury is overflowing with money, and that it is very ungenerous that we should require payment from debtors who are overburdened with obligations of various kinds. Secretary Mellon, in clear language but with politeness, tells these countries that the United States Government wants the money back that it loaned to foreign countries so that the American Treasury will be able to pay it back to those from whom

it was borrowed—that is, the people of the United States.

After this plain and positive statement of the case, further quibbling about the matter may as well cease. And the countries indebted to the United States can gain nothing by calling us hard names.

Why the United States has not countenanced the making of further loans to those few countries that still refuse to make a settlement of the debts they already owe us, is thus set forth by the Secretary of the Treasury:

“Early in 1925, after much consideration, it was decided that it was contrary to the best interests of the United States to permit foreign governments which refused to adjust or make a reasonable effort to adjust their debts to the United States to finance any portion of their requirements in this country. States, municipalities, and private enterprises within the country concerned were included in the prohibition. Bankers consulting the State Department were notified that the Government objected to such financing. While the United States was loath to exert pressure by this means on any foreign government to settle its indebtedness, and while this country has every desire to see its surplus resources at work in the economic reconstruction and development of countries abroad, national interest demands that our resources be not permitted to flow into countries which do not honor their obligations to the United States and through the United States to its citizens.”

The soundness of this position can hardly be brought in question. It is the very policy that a bank would apply in the case of an individual or corporation debt—the debtor could get no further loans until he showed a disposition to settle his outstanding loans. True enough, banks often make fresh loans to put debtors on their feet in order to enable them to pay. In every instance, when asked to do so, this country has shown its willingness to act in the same way.

## The Causes of Bank Failures

**D**URING the Comptroller of the Currency's report year ended October 31, 1925, there were ninety-eight failures of national banks, as compared with 138 for the year ended October 31, 1924. The last half of 1925 showed a decided decrease in the number of failures compared with the first half, the proportion being thirty-five to sixty-three. It will be interesting to read what the Comptroller says respecting the cause of bank failures:

“While unfavorable agricultural conditions have contributed in a large measure to the closing of a number of these banks, still it must be borne in mind that the greater number of failures occurred where the territories have had too many banks per capita and where too many bank charters were issued during the boom period of the war and immediately after peace was declared. Not only was there insufficient business for the support of these banks but their organization resulted in hazardous and unwarranted competition.

“Upon an analysis of the cause of these failures, it appears that forty-nine were due to economic conditions, crop failures caused by drought, and the fall in market prices for livestock. Thirty-nine were caused by inexperience and mismanagement by officers and directors and only ten by the defalcation of an officer or employe of a bank. The first two named causes might be consolidated and attributed to strong competitive banking without the proper banking experience and banking ability, for, after all, the fact remains that there are many solvent banks remaining in these territories where the failures have been most prolific and that such banks are in charge of and have been managed by capable and experienced men who, under the strongest pressure of competition, have been able to loan and invest the banks' funds without incurring disastrous losses.

“Economic conditions in the terri-

tories where the largest number of failures have occurred are much improved and the banking industry is rapidly adjusting itself to normal conditions. It is believed that the experience gained by bankers in the last ten years will be of great value to the banking business of the future and out of it will come better qualified bankers, more conservative management, and greater safety to depositors."

If these failures were to some extent attributable to the fact that there were too many banks, this would seem to indicate the need of greater circumspection on the part of the Comptroller of the Currency in granting charters to national banks in places where there are enough banks already. Although the over-enthusiastic organizers of banks are themselves chiefly to blame for the excess crop of new banks, doubtless the Comptroller might exercise a moderating influence upon their enthusiasm by the enforcement of more rigid requirements in the granting of new charters. The Comptroller is not, however, clothed with dictatorial powers, enabling him to grant or withhold bank charters at his pleasure. There are statutory regulations governing the organization of new banks, the intention of which was undoubtedly to make banking free to all who complied with them. But possibly the Comptroller might be more strict than he has been in the application of these statutory regulations.

Obviously, these remarks apply to the general policy of the Comptroller's bureau, and are not intended as a criticism of the present Comptroller or his predecessors. Broadly speaking, the question resolves itself into the degree of banking restriction the community will approve. Apparently, less freedom in starting new banks would be to the advantage of these new banks, in many cases, to the existing banks, and to the community at large. If, as the Comptroller contends, too many banks spell disaster, it is plain enough that nobody is the gainer.

But, as the Comptroller says, strong competitive banking without the proper banking experience and banking ability, was responsible for many of the failures occurring in the last year. He goes on to say:

"For, after all, the fact remains that there are many solvent banks remaining in these territories where the failures have been most prolific, and that such banks are in charge of and have been managed by capable and experienced men who, under the strongest pressure of competition, have been able to loan and invest the banks' funds without incurring disastrous losses."

Perhaps, then, the problem of greatest importance is to assure, as nearly as possible, that only men of this type shall be permitted to engage in banking. The experienced and capable captain is the one most to be depended upon to navigate his vessel through stormy waters.

Only to a limited extent is the Comptroller's bureau responsible for the personnel of the banks. The Comptroller can judge to some extent of the qualifications of those who organize the banks in the first instance, as he can detect some errors of management as they develop. But the directors of a bank are chosen by the shareholders, and the directors appoint the officers. Incompetent directors are sometimes elected and incompetent officers appointed. These may do the bank great harm in a short time, before the Comptroller through his examiners can detect the mismanagement or fraud. But, as a rule, mismanagement and frauds are noxious weeds of slow growth, whose deadly fruits are not immediately gathered.

Probably the real lesson to be learned from our too frequent bank failures, and the partial success of official bank supervision, is that banks themselves, through their organizations, must exercise a greater degree of scrutiny over the business of banking.

## Uniformity of Bankers' Documents

**F**OR many years efforts have been in progress looking to the elimination of the waste caused by the lack of uniformity in the size of the paper on which checks, drafts, notes and other bankers' documents are printed. As a result of these efforts greater uniformity in the sizes of paper and in the form of printing such instruments will become possible after March 1, when by mutual agreement among those interested the printing of the new standard sizes will begin.

The desirability of this reform has been long apparent, especially among the employes in banks whose time and patience have been taxed in arranging and deciphering the various instruments daily passing through their hands. Obviously, on the score of arrangement alone, it is desirable that instruments of the same kind should be of uniform size. Otherwise they can only be stacked in irregular piles, or arranged according to size instead of character. But uniformity in other respects besides size is desirable. When checks or other banking documents are being hurriedly examined, as they must be in the day's work, diversity in the method of printing, especially as relates to the position of the wording—such as dates, amounts, etc.—causes annoyance and delay.

Even when this reform is carried out, the banks will have plenty of opportunity to display their individual predilections in the use of emblems, illustrations—including portraits of officers or their favorite children—provided these typographical idiosyncrasies are confined to a particular location.

In securing greater uniformity of these documents the bankers are rather tardily applying to this branch of their business the principle of mass production. The result should be greater uniformity, simplicity and dignity in the appearance of bank checks, drafts, etc., as well as a great saving in time and money.

The American Bankers Association, the various state bankers' associations and other organizations are to be credited with bringing this desirable reform to a successful issue. While the change will inure chiefly to the benefit of the banks, the public will also benefit through the greater economy and efficiency of banking service.



## The Postal Savings System

**A**FTER having been in operation for a number of years, the Postal Savings System seems neither to have realized the hopes of its sponsors nor the fears of its antagonists. According to the Comptroller of the Currency's report the aggregate of the deposits in the system on June 30, 1925, was only \$132,173,211, the withdrawals for the year 1925 slightly exceeding the amount deposited. This compares with deposits of \$7,151,803,000 in the mutual savings banks, \$1,918,230,000 in the stock savings banks, and \$4,558,889,000 savings deposits reported by national banks.

In studying these figures it will be seen how groundless have proved the fears that the Postal Savings System would seriously encroach on the savings activities of the banks. It has been without practical effect. So that the banks may regard it with unconcern as a competitor with them.

Whether the Postal Savings System should be so complacently regarded by its friends is less clear. They can hardly take much satisfaction in the slow growth of the system and its failure to come up to the expectations of its friends, who were rather vociferous in their claims for the necessity of establishing such an institution and the wonderful results it would accomplish.

The sluggish growth of the Postal Savings System may be ascribed to the fact that our people have become accustomed to dealing with their local banks and have confidence in them.

Even the "foreigner," for whose special benefit the Postal Savings System was established, evidently has failed to support it. Doubtless he has quickly adapted himself to American ways, and prefers to make use of the banks rather than the Postal Savings.

Of course, in comparing the growth of the ordinary savings banks and the Postal Savings System, the greater restriction on the amount of deposits of one individual in the latter must be taken into account.



### Co-operation in International Finance

**S**PEAKING recently before members of the Berlin Boerse, Dr. Schacht, president of the Reichsbank, made some interesting observations regarding American and British financial co-operation. His remarks are thus summarized by the Berlin correspondent of the *London Times*:

"Herr Schacht referred to the change which had taken place since the war by which Continental Europe, instead of being the center of the world's economic life, rather lay on the periphery. The strings which had bound America and Europe were still intact, but the ends were now being held in America's hands. Although faith in the industrial capacity of Germany remained unshaken, America, which was inclined to regard Continental Europe as a single whole, took a detached view with regard to the restoration of European finances. American co-operation with the London financial world was still apparent in a close personal trust and touch, based on the fact that the City possessed an exact knowledge of European conditions, the result of centuries of experience. America still attached the utmost importance to London's judgment, and Germany would make a mistake if, while cultivating new relations with America, it did not retain those with London."

The situation would seem to be that, for the time being at least, America has a greater amount of loanable funds than Great Britain, although lacking the experience which, as Dr. Schacht truly says, London has accumulated through the centuries. It would seem the part of wisdom for America to avail itself of this experience if its capital invested in Europe and other parts of the world is to find safe and profitable employment. In making such investments it certainly will not be prudent for us to ignore the lessons gained by experience, for banking and investing are always in need of such practically helpful counsels.

While, through existing banking relations, much of the desired co-operation already exists, there is a feeling in London that, under present circumstances, it might be still further extended to the advantage of all concerned. That Germany considers it desirable to maintain close financial relations both with London and New York is clearly indicated in Dr. Schacht's statement.

America is now rather heavily committed in European finance, and these commitments are likely to increase rather than to diminish. It is a debatable question as to whether our investing in that quarter of the world has been upon the whole wisely done. As time goes on, and our foreign loans increase, we may find the need of a more complete financial organization, in which London's accumulated experience of the centuries will be found of great service.



### Forcing the Socialist State

**N**OT content with its own rate of progress in forcing Socialism upon the country, Congress seems bent upon compelling the various states to engage more actively in the distribution of wealth by means of taxation. In the pending revenue bill, which proposes to tax inheritances to the extent of 20 per cent., it is pro-



vided that in estimating this tax, credit is to be given to the extent of 80 per cent. of any inheritance tax that may be levied by the respective states. This is virtually compelling the states to levy an inheritance tax whether they wish to do so or not. The reason of this is as follows: in those states having an inheritance tax their citizens will be given credit for 16 per cent. of the Federal tax—that is 80 per cent. of the proposed tax of 20 per cent.—but where the state has no inheritance tax, this credit will not be given, and the full 20 per cent. must be paid. This statement of course rests upon the assumption that the pending revenue bill becomes a law with the provision in question remaining a part of it.

The right of the Federal Government to impose a uniform method of taxation upon the states, even with respect to a single subject, is open to question. Certainly the economic desirability of uniform policies of taxation does not appear. Conditions are not everywhere the same in all parts of the Union. They differ greatly. Some of the states have no doubt acted wisely in refusing to levy taxes on inheritances and incomes. Such states need capital, and invite its investment by a

liberal policy of taxation. This liberality is having its effect in those states where it has been made a part of the states' taxation policy. It might be argued that all the states may treat capital with equal generosity, but this can hardly be worked out in practice. The requirements for revenue are such in some of the states that capital must be heavily taxed. In such cases there is less incentive to attract fresh capital than to procure large revenues to carry on heavy governmental outlays. Newer states, whose development is just beginning are in a different situation. They need capital more than revenue, and it is natural and right that they should so shape their taxation policies as to procure that which they most need. These states are less concerned in effecting a distribution of existing wealth than in securing more wealth for productive purposes.

It would seem to be a misuse of the Federal taxing power to employ it in a manner to interfere with the fiscal policies of the states. States ought to be left free so to form their taxation policies as best to promote internal needs. Nor should they be compelled by a Federal law to institute a Socialistic scheme for the redistribution of wealth.



**I**T would be unfortunate if the Federal Reserve System were forced to depart from a program which is contributing materially to the restoration of the gold standard in Europe. What is needed is a resumption of the conservative attitude on the part of banking and business that so successfully contributed to the control of the situation during the period when the large influx of gold was taking place.—*Henry A. Chandler.*

# Is Instalment Selling a Boon or a Menace?

A Discussion of the Economic Problem of the Instalment Plan  
and a Proposed Solution

By James E. Moffat

The following article was awarded third prize in THE BANKERS MAGAZINE Prize Contest, concluded in November last.—THE EDITOR.

ONE of the outstanding features of present day marketing is the rapidly increasing use of the instalment plan. The plan itself is by no means new, having long been accepted as a satisfactory arrangement in connection with the transfer of real property. Thus the recent increase in the number of instalment sales represents chiefly the application of an old method of selling to an ever-increasing variety of goods. In this discussion will be considered certain economic implications of the instalment plan which are frequently neglected or overlooked. The importance of the instalment scheme in its relation to banking policy and practice will be stressed, as will also responsibility of the modern bank in the checking or eliminating of instalment abuses. The advantages of the instalment plan are widely advertised and well known; the evils, on the other hand, are too often ignored or learned only by costly experience.

## *Some Causes of Increased Instalment Selling*

It may be well first of all to mention some of the chief causes of the present rapid spread of instalment selling.

In America especially, normal business has come to be regarded as growing business, and business expansion as a definite and desirable objective. For those who seek expansion of business, the instalment plan is attractive because it suggests the opportunity, or at least the possibility, of selling to customers who would not otherwise buy.



JAMES E. MOFFAT

Professor department of economics and sociology,  
Indiana University, Bloomington, Ind.

THE author of the article on the accompanying pages was born in Canada and received his undergraduate training there. He was graduated from McMaster University, Toronto, in 1914, with the degree A.B. He took graduate work at the University of Chicago, from which institution he holds the degrees of A.M. and Ph. D. He is a member of Phi Beta Kappa and Beta Gamma Sigma. In 1916, he became a member of the department of economics and sociology at Indiana University, and has taught there continuously since, with the exception of one year spent in study in Europe. His chief interest and work lie in the field of general economic theory. He also has charge of the courses in marketing and foreign commerce in the Indiana University School of Commerce and Finance.

Some of these causes may easily be explained in terms of the changes taking place in the organization and problems of modern business. In the first place, the importance of the legal framework within which business is carried on must be recognized. Here one finds a definite tendency in the direction of organization and standardization of commercial practices, these

Modern education has, as one of its consequences, a marked increase in the number and variety of human wants. As knowledge grows, wants increase in both number and intensity. Interest is regularly followed by desire. Moreover, the present generation is not content with abstractions. If a thing appears to be desirable, nothing short of possession satisfies.

practices in turn receiving adequate legal protection after they have been accepted and approved by the public generally. Thus it is found today that the seller is amply protected by law in the enforcement of sales contracts, and this renders cash payments relatively less necessary. There is also the fact of new emphasis being placed upon the importance of increasing sales. In America especially normal business has come to be regarded as growing business, and business expansion as a definite and desirable objective. For those who seek expansion of business, the instalment plan is attractive because it suggests the opportunity, or at least the possibility, of selling to customers who would not otherwise buy. There is also the problem of overproduction. This, of course, is largely the result of stressing the economies of large scale production. The temptation to attempt to reduce production costs by mass production frequently leads to conditions where production is running ahead of normal market demand. This, of course, increases competition in the market, and in many cases the seller attempts to hold his custom by offering longer credit rather than lower prices.

#### *Changed Attitude of Consumer*

There is also in evidence today a definite change in the attitude of the consumer. This may best be explained as partly a result of the present standards of living. To say that the standards of living are constantly rising is to state a commonplace. The reasons

for the rising standards are many and varied. Among these, three especially may be noted. In the first place modern education has, as one of its consequences, a marked increase in the number and variety of human wants. As knowledge grows, wants increase in both number and intensity. Interest is regularly followed by desire. Moreover, the present generation is not content with abstractions. If a thing appears to be desirable, nothing short of possession satisfies.

#### *The Advertising Factor*

Another factor in this connection is the rapid development of advertising, both local and national. If education in general leads to conscious wants, advertising calls attention to the means of their satisfaction. From this results the tendency for definite desire to run far ahead of purchasing power.

It should also be pointed out that the increase in variety of wants and the wider knowledge of the means of their satisfaction has made consumers' competition keener than ever before. There is in addition the effect of modern habits of life. Consumption today is much more in the public eye than formerly, and the result is a new significance in what Veblen would call "conspicuous expenditure." The country club, the game of golf, the automobile, and the moving picture, all go to add to the publicity of the modern man's mode of living. With our pres-

There can be no question as to the immediate effect of the instalment plan upon the volume of sales. The scheme undoubtedly greatly increases the number of prospective buyers. In many markets there are more people with ready promises than with ready cash. In a sense this involves a new definition of demand. Desire plus willingness to pay are in this case sufficient; as ability to pay is to a large extent at least no longer immediately essential.

ent means of transportation, communication, and entertainment, the question of competition in consumption has taken on serious meaning. Doubtless this increased competition in consumption is looked upon with favor by the business world generally; as it is commonly assumed to imply lowered sales resistance. That this is not an altogether unmixed blessing, even to the salesman, can easily be shown.

When one considers the effects of the instalment system it becomes obvious that much of the past discussion of this subject has been extremely superficial. The instalment transaction is vastly more, in its economic significance, than a mere matter of sales technique. The far reaching effects demand that the subject be carefully considered with reference to both buyers and sellers. This raises two distinct problems of analysis. Consider the matter first from the point of view of the seller.

#### *Instalment Sales from the Seller's Viewpoint*

Surely there can be no question as to the immediate effect of the instalment plan upon the volume of sales. The scheme undoubtedly greatly increases the number of prospective buyers. In many markets there are more people with ready promises than with ready cash. In a sense this involves a new definition of demand. Desire plus willingness to pay are in this case sufficient; as ability to pay is to a large extent at least no longer immediately essential.

With the instalment sale the real waiting is done, not by the buyer, but by the seller. The effect upon the seller in the individual instance will of course be determined by the number of instalments and the time allowed. But in all cases the danger of frozen credit is in evidence, and under certain conditions the possibility very quickly becomes a reality.

Another fact of vital importance to the seller is the reduction in future purchasing power which is the resultant of the instalment scheme. In its effects upon future demand, a lien upon future income such as the instalment plan represents is, in the majority of cases, worse than an ordinary mortgage on real property. In the case of real estate, the mortgaged property is normally assumed to itself furnish a means of providing partly or wholly for the future obligation. But with the instalment sale, as applied today in various lines of merchandising, the possession and use of the article frequently tend to lessen rather than to increase the current income of the purchaser.

Another result is a distinct slowing up in the process of capital turnover. With the instalment sale the real waiting is done, not by the buyer, but by the seller. The effect upon the seller in the individual instance will of course be determined by the number of instalments and the time allowed. But in all cases the danger of frozen credit is in evidence, and under certain conditions the possibility very quickly becomes a reality.

The difficulty just mentioned necessitates the seller charging prices sufficiently high to cover the elements of both interest and risk. Economically this would appear to be both reasonable and sound, providing the particular transactions be justified so far as general circumstances are concerned. But when, as too frequently happens, the buyer is tempted to overbuy because of the provisions which make possible the postponement of payment, a condition arises where the seller is using the device of high prices and high interest to protect himself against risks which should never have been created. On the other hand, in such an instance, the buyer is paying the penalty for an act which he has, been unwittingly led into committing without full realization of the consequences.

Another fact of vital importance to

Up to the present time altogether too little attention has been given to the effect of the instalment idea upon general business methods. The instalment plan undoubtedly tends to break down credit morale. The seller sooner or later finds himself yielding to the temptation to take long chances, and thus enters the thin edge of the wedge for loose business methods generally. In many cases the seller is not aware of the seriousness of the risks he is taking. The chronic instalment buyer secures different articles from different sellers, and thus the individual seller finds it difficult if not impossible, in the ordinary course of business, to check up on the obligations a prospective buyer has already assumed elsewhere.

the seller is the reduction in future purchasing power which is the resultant of the instalment scheme. In its effects upon future demand, a lien upon future income such as the instalment plan represents is, in the majority of cases, worse than an ordinary mortgage on real property. In the case of real estate, the mortgaged property is normally assumed to itself furnish a means of providing partly or wholly for the future obligation. But with the instalment sale, as applied today in various lines of merchandising, the possession and use of the article frequently tend to lessen rather than to increase the current income of the purchaser.

#### *The Question of Increased Business Risks*

The question of the increase of business risks resulting from the instalment plan demands further analysis. In this connection it should not be overlooked that the instalment sale is coming more and more to represent the granting of personal credit. Regardless of the legal protection associated with the sales contract, and the traditional and legal distinction between ownership and possession, the personal element tends to increase in importance. An interest-

ing illustration of present tendencies appears in the rapid multiplication and growth of business of the finance companies. One reason of course for the shifting of emphasis to the personal element lies in the increased use of the instalment plan in the marketing of regular consumers' goods. In such cases there is no expectation of the buyer selling the goods at a profit, or even of selling them at all. It may be added that the instalment sale is no longer confined to what are ordinarily classed as durable goods; and even where the element of durability is present, there are many lines of goods which could be resold only at a disastrous reduction because of the stigma attached to the second-hand article.

#### *Effect of Plan on Business Methods*

Up to the present time altogether too little attention has been given to the effect of the instalment idea upon general business methods. The instalment plan undoubtedly tends to break down credit morale. The seller sooner or later finds himself yielding to the temptation to take long chances, and thus enters the thin edge of the wedge for loose business methods generally. In many cases the seller is not aware of the seriousness of the risks he is taking. The chronic instalment buyer secures different articles from different sellers, and thus the individual seller finds it difficult if not impossible, in the ordinary course of business, to check up on the obligations a prospective buyer has already assumed else-

Attention should also be called to the moral effect of the instalment plan upon the buyer. The scheme undoubtedly breaks down the habit of saving. There is a manifest weakening of the will to save and wait. Instalment buying is not merely a matter of living up to present income, undesirable as that may be. It is rather a question of consuming future income before it is either earned or received.

As long as the policy of prompt settlements for consumers' goods is adhered to, the necessity of payment will generally serve as a sufficient check upon overbuying. The instalment plan, on the other hand, makes possession too easy. The temptation to secure the goods for immediate enjoyment and to leave the matter of payment for the future is in many cases irresistible. The result is that discretion is thrown to the winds and an orgy of buying follows; buying which is nothing short of a reckless squandering of future income.

where. It should also be remembered that the overbuying which so frequently results in this way has a serious effect upon the seller's good will. When a customer overbuys he naturally finds it difficult to meet his payments as arranged; and in most cases the transaction is likely to prove unprofitable to the seller regardless of the outcome. If the buyer fails to pay there is friction, delay, and loss for some of the parties concerned; if he is forced to pay, it is at the cost of his good will.

#### *Bearing of Plan on Business Optimism*

Another matter which the sellers cannot afford to overlook is the effect of the instalment plan upon business optimism. The American business man is inherently optimistic; and while this may be a blessing, it is not without attendant difficulties. The tendency toward optimism in business has its dangers, as the history of American business clearly shows. The bearing of the instalment plan on this question lies in the fact that business men normally tend to forecast the future largely on the basis of the present trend. If the volume of sales in current business be satisfactory and growing, it is interpreted as a portent of profitable future business. Good business today suggests good business tomorrow. But note the fallacy when this line of rea-

soning is applied to instalment business. When purchases are made on the instalment plan, a sale today does not promise a sale tomorrow. The fact is that in altogether too many instances the effect is just the opposite, and a sale today tends to make a sale tomorrow unlikely, if not impossible.

#### *Unfairness of Scheme to Conservative Dealer*

But perhaps the most objectionable aspect of the question, from the seller's point of view, is found in the fact that the abuse of the instalment scheme is manifestly unfair to the dealer who wishes to transact business on a safe and conservative basis. In many cases the individual dealer honestly desires to carry on business in the traditional way, but feels that owing to the instalment competition he has no choice in the matter. Even where the situation is not so serious as this, there remains, nevertheless, the fact that in a growing number of merchandise lines the seller must choose one of two unsatisfactory alternatives. If he insists upon business on sound principles, he loses the trade of large numbers of prospective customers who are attracted by the seemingly easy methods of payment offered by instalment dealers. On the other hand, if he decides to resort to instalment selling, he must accept the serious economic uncertainty which is inevitable when the outcome of a large volume of business transactions comes to depend upon such uncertain factors as the continued health of the buyers, their continuous employ-

If additional social capital does not come from what is saved from consumption, where is it to be secured? For the average man the old advice to "save and have" is still quite in order. The principle of the instalment scheme appears to suggest that the buyer have now and hope to save in the future.

ment, and their exercise of restraint in their purchasing of other articles.

The effect of the instalment scheme upon the buyer will now be examined briefly. In the first place, it is obvious that one of the inevitable effects is the encouragement of extravagant buying. So far as the creation of wants is concerned, modern advertising is proving more than effective. As suggested before, there can surely be no question regarding the fact that the tendency at present is for wants to run far ahead of ability to pay. But so long as the policy of prompt settlements for consumers' goods is adhered to, the necessity of payment will generally serve as a sufficient check upon overbuying. The instalment plan, on the other hand, makes possession too easy. The temptation to secure the goods for immediate enjoyment and to leave the matter of payment for the future is in many cases irresistible. The result is that discretion is thrown to the winds and an orgy of buying follows; buying which is nothing short of a reckless squandering of future income.

#### *Tendency Toward False Standards of Living*

There is also a serious menace in the manner in which instalment buying tends in a sense to set utterly false standards of living. The members of the modern American family, both young and old, are greatly influenced in their expenditures by their neighbors' habits of consumption. Consciously or unconsciously they direct their courses and form their habits according to the accepted policies and

The more widespread the use of the instalment scheme becomes, the more expensive will be the marketing process and the more uncertain will conditions be throughout the whole field of business.

actions of the other members of their social groups. Under normal conditions this is as it should be, simplifying as it does many of the problems in the field of social control. But what of the effect when the individual's judgment is influenced by neighbors who have acquired the habit of instalment buying? In this case the judgment may become hopelessly distorted, being determined not by what the neighbors own, but by what they have in their possession.

✓ Another serious possibility lies in the effect which the spread of the instalment idea is likely to have upon the general nature of consumption. Orthodox economic theory has been formulated on the assumption that an individual normally attempts to classify his wants and to satisfy the most pressing or important before the others are given consideration. And under the traditional methods of marketing it would seem that the assumption has been largely justified. But with the introduction of the instalment scheme in certain lines of merchandising and not in others, the former relations existing between the importance of certain wants and the difficulties in the way of their gratification have been thrown hopelessly out of line. In other words it may become seemingly so much easier to satisfy the less important wants that the more important ones will be left totally unprovided for. And it is easy to see that if this sacrifice, on the part of the buyer, of reason to convenience continues indefinitely the result will be a marked change in the relative volumes of business done in different lines, with consequent disastrous effects not only upon the total utility enjoyed by the consumers, but

How will it be found possible to maintain consumption standards if present consumption be based largely upon future income? If one consumes one's income largely before it is earned, can this process go on indefinitely, and if not, what of the final reckoning?

also upon the business of the dealers in some of our most important lines of merchandise.

### *Moral Effect of Plan on Buyer*

Attention should also be called to the moral effect of the instalment plan upon the buyer. The scheme undoubtedly breaks down the habit of saving. There is a manifest weakening of the will to save and wait. Instalment buying is not merely a matter of living up to present income, undesirable as that may be. It is rather a question of consuming future income before it is either earned or received. The theory that the national as well as the personal accumulation of wealth is dependent upon individual saving is perhaps somewhat old fashioned, but it is nevertheless valid. If additional social capital does not come from what is saved from consumption, where is it to be secured? For the average man the old advice to "save and have" is still quite in order. The principle of the instalment scheme appears to suggest that the buyer *have* now and *hope* to save in the future.

So far the question has been discussed with special reference to the effect upon particular classes. Consider now very briefly the bearing it has upon our whole social and economic organization. First of all, there is the problem of the stabilization of business, or in other words, of efficient adjustment of production and demand. Business activity, in practically all of its aspects, is definitely associated with the task of producing and distributing economic goods. Naturally, any disturbing factor which interferes with this task or which brings about maladjustment of any kind, offers serious possibilities. In this respect the effect of the instalment scheme must be to render vastly more difficult the problem of market maintenance. This is true because the instalment seller is either destroying or exploiting potential future demand. This point has been touched upon already, and requires no

further elaboration here. Suffice it to say that a market of instalment buyers is one of the most difficult of all markets to analyze, and at best it is likely to offer poor promise of future sales.

The effect of the instalment plan upon the process of consumption has also been discussed above. From the social point of view this involves two distinct problems. The first has to do with the volume of goods consumed and with the possibility of maintaining the volume. How will it be found possible to maintain consumption standards if present consumption be based largely upon future income? If one consumes one's income largely before it is earned, can this process go on indefinitely, and if not, what of the final reckoning? The second problem is that of the course of consumption, or in other words, of the kind of goods consumed. How shall the ever present temptation be dealt with which the instalment plan offers of consuming the goods most easily secured rather than those most needed? Both of the questions raised offer ground for study in the too much neglected field of the theory of consumption.

### *Relation of Plan to Business Cycle*

An important question, both economically and socially, is that of the relation of instalment business to the business cycle. In times of business depression—and such times have to be reckoned with—the prevalence of the instalment arrangement is unquestionably disastrous to both buyers and sellers and to the public generally. In such times a large number of buyers are practically certain to find themselves in one or the other of two positions. They are either temporarily unemployed, or they are employed less remuneratively than before. Those who are unemployed, if they have been committed to the habit of instalment buying, find it difficult if not utterly impossible to meet the obligations already assumed. On the other hand,



If the bankers insist upon sound business methods on the part of their clients as a pre-requisite to credit granting, the use of the instalment plan will be kept within reasonable and safe limits. If, however, they neglect to formulate definite policies in this particular connection, they will be leaving to the winds of chance a situation fraught with dangerous possibilities.

those who are employed less remuneratively, if instalment buyers, having part of their incomes already pledged, find it necessary to cease from buying anything apart from absolute necessities. The plight of the sellers is, of course, suggested in this explanation of the difficulties of the buyers. The fact is that in times of depression it holds true that the instalment sellers have in a sense spoiled the market in advance not only for their own goods but for goods generally.

In concluding this part of the discussion a summary is presented in the form of four propositions. In the first place, the valid normal function of the instalment sale is to make it possible for a buyer to secure a necessary durable commodity without immediate payment in full, and any extension of or addition to the uses made of the scheme warrant careful scrutiny. Secondly, the instalment plan should never be considered as a defensible means of merely making a sale without regard for either the consumer's need or his purchasing power. Thirdly, no discussion of the plan is complete if confined to the strictly business aspects. The effects of the plan are so important and so far reaching that the broader social and economic considerations must of necessity be taken into account. Finally, there is serious need at present for a clearer recognition of the fact that the more widespread the use of the instalment scheme becomes, the more expensive will be the marketing process and the more uncertain will conditions

be throughout the whole field of business.

### *Three Types of Proposed Solution*

With regard to practical methods of dealing with the instalment problem, three types of proposed solution may be mentioned. One type of solution is based upon the idea of control by law. The difficulties, however, in the way of reform by legislation, are so many and so varied that detailed consideration appears to be unnecessary. It is true that the legal safeguards and prohibitions thrown about our commercial practices are in many cases highly effective. But many of the difficulties pointed out in connection with the instalment scheme are plainly not of a nature to be dealt with directly by legal enactment.

There is also the idea of solution in the form of example. But here again there are serious limitations. In the abuse of the instalment scheme it is frequently true that what is immediately profitable to the individual most directly concerned is ultimately unprofitable and injurious to the public generally. Hence the difficulty of depending upon example. It should also be observed, in this connection, that in many cases the pursuit of a safe and conservative selling policy by one business man may prove to be an incentive, not to a like policy on the part of his competitors, but to an attempt to exploit the opportunity of attracting custom by offering more liberal terms.

### *Education as a Means of Maintaining Sound Methods*

The third type of solution is one which depends upon education as the means of securing and maintaining sound methods in business. This appears to be the real answer to the question. At the same time the magnitude of the task should not be overlooked. Education of the consumer must at best be a slow process. The demand for consumption goods is real

and immediate; the dangers involved in the so-called easy payment plans are associated in the buyer's mind with the vague uncertainties of the future. Furthermore, the actual terms of payment in commercial practice are not normally arranged or determined by the consumer. For the most part he simply accepts the terms offered. On the other hand, education of the producer or seller, to be effective, must be carefully planned and wisely directed. And in addition to planning and direction it appears to be necessary, in the problem under discussion, that pressure of some sort be brought to bear to enforce observance of the rules prescribed.

#### *Final Responsibility Rests on Banker*

This brings up the question of the relation of this problem to banking policy and practice. Here it is that a real challenge to American bankers is found. It is true that attempts are being made by various trade associations and by certain prominent business men to stress the need of checking the extension of instalment selling. But after all, the great opportunity belongs to the bankers, and the real responsibility must rest with them. Here are very briefly our reasons for this conclusion.

In the first place bankers are directly interested in the adoption and maintenance of sound business methods. Whatever affects or endangers general prosperity cannot fail to be of vital

It is true that attempts are being made by various trade associations and by certain prominent business men to stress the need of checking the extension of instalment selling. But after all, the great opportunity belongs to the bankers, and the real responsibility must rest with them.

importance to the banking interests. Secondly, bankers are more and more coming to be accepted as the general business advisors and financial experts for the nation at large; consequently their warnings will command attention. Thirdly, bankers deal with all classes, and, therefore, they can spread the gospel of sound commercial practice both intensively and extensively. Finally, bankers are peculiarly fortunate in the fact that the very nature of their business makes it possible to bring pressure to bear to compel the acceptance and adoption of the advice given. In other words, the final and decisive factor in the solution of the instalment problem must be found in the credit policy of the banks. If the bankers insist upon sound business methods on the part of their clients as a pre-requisite to credit granting, the use of the instalment plan will be kept within reasonable and safe limits. If, however, they neglect to formulate definite policies in this particular connection, they will be leaving to the winds of chance a situation fraught with dangerous possibilities.



**S**AVING, merely as an abstract principle is unattractive to the average person. It must be motivated by some definite objective, such as the purchase of a home or of an automobile, or to send a son to college, or to accumulate a certain sum by a certain age.—*Roger K. Ballard.*

# Swimming With the Tide

By Richard W. Saunders

**A** FAVORITE sport in many lands is to get astride a board, mount upon a wave and have it carry one irresistibly to the shore. So the majority of men find that to go with the tide means increased speed and power with the minimum of effort.

Success in life seems to come more often to those who adjust themselves to conditions and, so to speak, "swim with the tide." By commending themselves to men of substance, by learning to carry out the ideas of the latter and by using tact when some modification seems necessary, more men apparently secure profitable positions, especially in the financial world, than in any other manner.

Men who have achieved success have learned through experience that effective results follow certain methods, and they seek for associates who will carry out such policies. They are inclined to look with suspicion upon contrary views. This does not mean a lack of progressive ideas on their part. It is one of the attributes of greatness to maintain an open mind ready to give new methods a chance to prove themselves if they do not conflict with fundamental principles.

The young man bursting with what he considers more progressive methods is quite likely to antagonize, unless he first lays the foundation for his ideas and is in a position to prove that they not only are as good but better than those they are intended to supplant. The burden of proof is always on the innovator, for experience soon teaches that a change is not always an improvement.

As men take natural forces and use them, so does the individual take advantage of a predisposition in his favor. When the chance comes, how fast a man can go! He "goes while the going is good."

Can this be regarded, as it sometimes is, as being an ingratiating and underhanded policy? By no means. If a man is insincere, sooner or later it will show, and his progress stop, for he will be out of harmony with his associates. If he is incompetent, or a "yes" man, nodding his head at everything his executives utter, the day of reckoning will come.

More serious however, is the case if the business is headed in the wrong direction or being conducted in the wrong manner. A man then owes it to his own honor and integrity to keep off that particular wave. In fact, he had better get out of the water entirely. The courts have too many cases of men afraid, through poverty for themselves or family, to oppose wrongdoing, who were carried onward by the wave of rascality.

A man gains nothing by being always in a state of opposition. This generally means friction. There are times when conscience demands that the tide of popular opinion be breasted, but it takes a powerful swimmer to fight against the tide.

But the man who says "no" to everything, thinking that by so doing he is maintaining a strong individual position, nearly always loses in the end. Co-operation not hostility is today's watchword. As many mistakes are made by saying "no" as by saying "yes."

So the formula seems to be, when things are going right, go with the tide and be glad of the opportunity. The bears in a bear market and the bulls in a bull market ride to victory. Where something seems wrong or imperfect, experiment in a moderate way, check up every element that may affect the result and then with a proved project, demonstrate to the powers that be. One tide follows another and it is well, between them, to prepare for the next. And "Time and tide wait for no man."

Date *August 15, 1925*

**The American-Oriental Banking Corporation**  
P. O. Box 153, 15 Nanjing Road, Shanghai.

Gentlemen,

I enclose the following which please deposit to my Mexican Dollar Savings Account No. *752*:

|  |       |
|--|-------|
| Bank Notes, Cash, etc. . . . . M \$    | 5     |
| Checks, as Listed on Reverse, totaling | 15    |
| Also <i>P. O. Money Order</i>          | 9 75  |
| Total M \$                             | 29 75 |

Dollars *Twenty nine 75/100*

Very truly yours, *G. Walduck*  
(Name)  
(Address) *Brown & Co. Shanghai*  
Be sure to list all checks on the back of this letter. *1527*

Items covered by this deposit were mailed The American-Oriental Banking Corporation, Box 153, 15 Nanjing Road, Shanghai, on *August 15, 1925* (Date)

|                               |        |
|-------------------------------|--------|
| Bal. Bro't For'd. M \$        | 256 17 |
| Withdrawals . . . . .         | —      |
| Balance . . . . .             | —      |
| Amount this deposit . . . . . | 29 75  |
| Bal. Carried Forward          | 286 02 |

Write details on reverse side of this stub if you wish a record of the checks sent us.

Attach our receipt on arrival to this stub.

Specimen page from the deposit book used by the American-Oriental Banks. The right hand section is detached and sent along with the deposit, the stub at the left remaining in the book as the depositors' record

# Banking by Mail Without a Pass Book

## By Gilbert King

Manager American-Oriental Bank of Szechuen, Chungking, China

**B**ANKING by mail has received much attention of late and it is but natural that the thought given to the subject has resulted in many conveniences for the depositor.

When the writer was in charge of the banking by mail department of the head office of the American-Oriental Banks at Shanghai, he became impressed with the inconvenience and risk of sending a pass book through the mail each time a deposit was made to a savings account. As a result, he devised a new form of account which has been used successfully by the American-Oriental Banks. Such has been the reception accorded this new form of account by American-Oriental depositors that it is being passed on through THE BANKERS MAGAZINE to banks in the United States. Those who believe that it will prove as satisfactory under American conditions as it has under conditions in China, are welcome to use it.

Briefly, the system consists of: (1) a deposit book of "letters" to accompany remittances to the bank, each "letter" being furnished with an appropriate stub to enable the depositor to keep a

record of deposits, withdrawals and balances; (2) a receipt issued by the bank which may be affixed to the deposit book stub; (3) a statement mailed the depositor quarterly; and (4) a withdrawal form which is to be accompanied by a letter to the bank instead of by the usual pass book.

### How the System Operates

Let me make myself clearer. When the depositor mails the bank his initial deposit he is not sent the

Attach this receipt to the corresponding stub of your savings account deposit book.

Name: *G. Walduck*  
Address: *Brown & Co., Chungking, S. C.*

Dear Sir/Madam,

We have to-day credited your Mexican Dollar Savings Account No. *752* with the following:

|                                     |       |
|-------------------------------------|-------|
| Bank Notes, Cash, etc. . . . . M \$ | 5     |
| Checks Totaling . . . . .           | 15    |
| Also <i>P. O. Order</i>             | 9 75  |
| Total M \$                          | 29 75 |

Dollars *Twenty Nine 75/100*

Very truly yours,  
The American-Oriental Banking Corporation  
*Aug. 25, 1925* *Gilbert King*  
(Date) Cashier

Form deposit receipt mailed by bank to be pasted in deposit book on stub to which it corresponds

| <i>Sometime you may want us to trace the individual items of this deposit. Filling out the following will make this possible.</i> |                                 |                        | <i>Fill out the following if you wish a record of the checks sent us.</i> |              |
|---|---------------------------------|------------------------|---|--------------|
| DETAILS OF CHECKS   |                                 |                        | DETAILS OF DEPOSIT  |              |
| Drawer  | Bank                            | Amount                 | Drawer  | Amount       |
| <i>F. C. Ozorio</i>   | <i>7 M-4</i>                    | <i>5</i>               | <i>F. C. Ozorio</i>   | <i>5 -</i>   |
| <i>C. J. Ma</i>   | <i>A. O. Bank<br/>Chungking</i> | <i>10</i>              | <i>C. J. Ma</i>   | <i>10 -</i>  |
|   |                                 |                        |   |              |
|   |                                 |                        | <i>P.O. order</i>   | <i>9 75</i>  |
|   |                                 |                        | <i>Bank Notes, Cash, etc.</i>   | <i>5 -</i>   |
|   |                                 |                        | <b>Total Deposit</b>  | <b>29 75</b> |
|   |                                 | <b>Total of Checks</b> |   |              |
|   |                                 | <i>15 -</i>            |   |              |

Record sheet on reverse of deposit slip and stub to enable both bank and depositor to keep a record of details of various checks deposited

usual pass book in which the deposit has been entered. Instead, the American-Oriental mails him a "deposit book" which closely resembles a small check book with stubs. However, in place of checks, the book has "letters" which may be filled out by the depositor and sent in with later deposits to the account. As can be seen by studying the accompanying illustrations, the stubs enable the depositor to enter the balance brought forward, any withdrawals from the savings account, the amount sent for deposit under cover of the corresponding "letter," and the balance carried forward. The back of the stub is ruled for keeping a record of the checks sent the bank.

The "letter" attached to the stub is addressed to the American-Oriental and can be quickly filled in with the number of the account and the amount of the remittance. A convenient form on the back of the "letter" provides space for listing the checks which are sent the bank under cover of the form. No other letter is needed or desired.

*Make-up of the "Deposit Book"*

To make the deposit book as convenient as possible, regulations governing banking by mail savings accounts are printed on the inside of the front

cover. Between the cover and the first "letter" is inserted a fly leaf on which are given brief suggestions for banking by mail. This fly, to insure its being read, is only about two-thirds the length of the book and of a distinctive color. Each book contains twenty-four stubs and "letters." Inserted after the twenty-second "letter" is a form for use by the depositor in securing a new deposit book. On the inside back cover of the book is a paper pocket containing a blotter and three or four withdrawal forms, while, to discourage too frequent withdrawals, the pocket bears the advice "Build up a fund for the future, to be prepared for its opportunities and emergencies, possibly for its actual necessities."

So much for the deposit book.

When the bank receives a "letter" and remittance, it fills out and sends the depositor a receipt which is also in the form of a letter. One edge of the receipt is gummed to enable the depositor to attach it to the corresponding stub of his deposit book. The depositor's "letter" is the bank's credit slip.

*Withdrawals*

When the customer wishes to withdraw funds, he fills out one of the withdrawal forms and mails it to the bank

*This receipt is for use when withdrawing funds from a*  
**"BANKING BY MAIL" SAVINGS ACCOUNT**

A/c No. .... *Shanghai,* ..... 192

**Received from The American-Oriental Banking Corporation,  
 Shanghai.**

*the sum of Mexican Dollars* .....

---

**NOT NEGOTIABLE**

**M\$** ..... *Signature* .....

*This receipt must either be presented by the depositor in person or be accompanied  
 by written instructions.*

S 61-500-9-24.

Specimen of withdrawal slip used by the American-Oriental Banks in their banking by mail plan.  
 Several of these slips are inserted in the back of each deposit book sent out by the bank

with his instructions. This form is a receipt, not a check. To make certain the savings account is not used as a checking account, the withdrawal form bears in large letters the words "not negotiable," while at the bottom of the form appears the provision "This receipt must either be presented by the depositor in person or be accompanied by written instructions."

To enable the customer to check up his balance with the bank, he is furnished a statement every three months, provided there have been entries to the account. This statement, in the case of the American-Oriental, closely resembles the bank's checking account statement. It is not, however, posted daily in spite of the fact that so doing would furnish a check against the ledger keeper. Instead, the statement is copied from the ledger every three months. No attempt is made to send out all statements on the same day but a certain number are made out daily and the work is thus spread out over the quarter.

The mailing of a quarterly statement offers a valuable opportunity to enclose a friendly letter on saving, a folder

describing various services offered by the bank, or some other appropriate advertising matter.

*Account Stimulation*

When it is found that an account has been inactive during the quarter, the bank sends no statement but a letter designed to stimulate deposits. Should a series of four form letters fail to revive the account, it is removed to a dormant file.

Before the American-Oriental introduced the banking by mail savings account, a questionnaire was sent to a representative list of depositors. It was only after the bank received an almost unanimous vote in favor of the new form of account, that the American-Oriental instituted it. We later extended to our checking accounts the idea of wording credit slips so they would take the place of letters. We believe that this attention to details, and our constant efforts to make banking by mail both simple and convenient is in large part responsible for the fact that the American-Oriental Banks now have depositors in every city of importance in China.





CLIFTON H. DWINNELL  
President of the First National Bank of Boston, Mass.

**T**HE new president of the First National Bank of Boston, Mass., was born in Worcester in 1873. He was educated in the public schools of Fitchburg, Mass., and Worcester Polytechnic Institute, from which latter he was graduated in 1894. The following year he entered banking in the International Trust Company, Boston. In 1898, he joined the staff of the Shoe and Leather National Bank of Boston, and was made assistant cashier in 1900. When the Shoe and Leather consolidated with the National Bank of Redemption, he retained the position of assistant cashier in the consolidated institution. In 1904, the National Bank of Redemption was consolidated with the First National Bank of Boston and Mr. Dwinnell became assistant cashier of the First National. In 1905, he was advanced to the rank of vice-president, and has continued to serve in that capacity until his recent election as president. Mr. Dwinnell is a member of the corporation and finance committee of Worcester Polytechnic Institute, treasurer and trustee of Tufts College, trustee of Wellesley College, and a director in several corporations.

# Insurance Company Methods Applied to Banking

By M. S. Wyche

**T**HE last few years have recorded a remarkable growth on the part of all well-organized life insurance companies. Indeed some of these companies have developed such gigantic organizations and attained such high places of power that the eyes of the entire financial world have been turned on them. And the end is not yet.

Bankers recognize the life insurance company as an institution which educates the people in the practice of thrift, making the money saved up of double value by lending it out in long-time loans that make for progress and prosperity. Besides, the streams of money that flow into the home office of a life insurance company, or into a well-organized district agency, at several points use the bank as a channel, if not as a reservoir. So it pays the banker to keep on friendly terms with the life insurance man.

While it is true that bankers have looked on and marvelled at the rapid and sound growth of insurance companies, and have placed their stamp of approval on them by investing personally in the stock of such companies, it seems that few have stopped to consider that the methods used so successfully by life insurance companies, may, in many cases, be applied to banking.

The life insurance man considers every man, woman, and child a prospect for some kind of life insurance policy, excepting, of course, those who are physically, morally, or mentally unsound. And he goes out to work his field systematically and scientifically.

## *Applying Scientific Methods to Life Insurance Sales*

But life insurance companies are still fighting their way over the direst forms of prejudice based on a combination of ignorance, superstition and fear. The fact that insurance is connected in the

mind with the idea of death is a psychological reason why the first reaction of almost everyone is unfavorable. In many cases it is militantly so. And life insurance companies could never have progressed as they have, had they not recognized the problem as psychological and met it scientifically. Study the tactics of every successful life insurance agent or salesman and you will find him expert in applying the principles of psychology. True he may have learned the business by experience only, and while he may not realize that he is using the science of the human mind, nevertheless he is. And the more enterprising companies have already established training schools where every agent or salesman has an intensive course, not only in behavioristic psychology and salesmanship, but life insurance itself is studied down to its roots. After which, each policy, contract and form of that particular company, as well as the plan of organization, are learned in detail. In other words, every man is trained, either in schools or by a general agent who has years of experience back of him, and to whose interest it is to make every agent succeed.

Along with this training is instilled into the student agent a belief in life insurance as a means of good to humanity and a confidence that he himself will develop and grow as he works, financially as well as otherwise. He is made to think of himself as a dignified professional, as indeed he really is. Every man he meets is a prospect and the law of average with which he works will show that he actually sells a certain per cent. of all persons with whom he comes in contact.

## *The Attitude of the Average Bank Teller*

Compare this with the attitude of the average bank teller. Having had sev-



eral years' experience as a bank clerk and teller myself, I know them to be, as a rule, of a kindly and agreeable disposition, working very hard for their employers, and giving fully as much to their work as any other clerk or professional. Yet, in general, their manners could be much improved. Many times they impress the people as being indifferent. The machine-like speed with which a teller dispatches his work often makes him appear as lifeless as a machine. If to this is added a kind of hatred for the work itself, the teller may appear, to strangers who approach him, as surly and vicious as an inmate of another kind of cage, repelling rather than drawing people to his bank. It is a fact that tellers and window clerks often drive away new business as fast as the advertising department draws it in.

#### *The Commission System as a Stimulus to Co-operation*

It is true that the commission system makes it possible for the insurance company to receive the highest type of co-operative work. Everyone profits by all work done, and a record is kept of what each man earns for his company and what his company gives back to him. This makes possible the very close organization that so much resembles a great family, each happy in his part. It is my belief that some sort of profit-sharing system is now necessary for a bank to continue to get the most from its men and to keep its organization up to the highest point of efficiency. Bank clerks are human and it is but natural that a more personal interest will be taken and a more conscientious service given, if a share in the prosperity comes to them. Therefore, I would say, the first point where it would pay a banker to study the methods of a successful life insurance company would be in the closeness of organization and the mental attitude of employer and employes.

With the perfecting of organization, which will, of course, include the train-

ing of all clerks and officials for expert service, one makes sure of economy of management and courteous and efficient service to depositors and patrons already on the books. This is in itself the best means of acquiring new business, as no advertisement pulls like the personal endorsement of one who is using the service himself. But the modern banker feels it necessary to make special efforts for new business, and so new business departments are often organized. Now an insurance company has no new business department, because it is understood that every person working for the company is always after new business. If every man and woman employed by a bank felt it his or her duty to boost for the institution he or she is employed by, new business departments would be necessary only as a means of advertising, and the bank would be one great new business machine itself.

#### *The Function of Advertising*

Advertising is necessary, for clerks and officials can personally influence only those with whom they come into contact, and they are few compared with the thousands or millions who may be reached with advertisements in newspapers, periodicals, and direct-by-mail service. The duty of the advertising man is to educate the people in regard to the benefits obtained from the banking habit, to inform them in regard to the superior service offered by his particular institution, and to cause new business to be brought to the different departments of his bank. He makes promises to the public in his advertisements. These promises must be fulfilled by clerks and officials of the bank. Unless there is systematic co-operation, this is not always done, and the advertising does harm instead of good, since it brings to the bank people who go away dissatisfied and thereafter talk against its service. The insurance agent knows that it is his duty to finish the work started by the advertising department, and he does it very gladly, be-

cause it adds materially to his commissions, and makes the selling of insurance easier. The insurance company uses advertising as a farmer fertilizes his field. He expects an increase of production but the harvesting he expects to do personally. Advertising may enrich the field of the banker by educating the people in thrift and making them aware of their need of the service, but the account must be kept on the books with personal work on the part of clerks and officials. Mere machine perfection will not suffice to do it either.

#### *Personal Solicitation*

Insurance companies have always sent personal solicitors out after business. Some banks have done this too, but not to the extent that they may do it in the future. A Chicago business man said to me once, "I keep my account at a certain bank, because one of their men came into my office one day and asked me to put it there. I was pleased with the invitation, and also pleased to meet the solicitor himself, who was one of the bank's officials, when I walked into the bank. He was an official who went out an hour or two each day and kept his desk the rest of the time."

What would it mean to a bank to have a number of assistant cashiers whose duty it would be to solicit in the city or country certain hours or days each week? If such men were scientifically trained in the art of salesmanship, it is reasonable to expect a very high return for such work.

When an insurance company goes into a new territory, or when it finds that an old one is not producing as it should, an intensive study is made of the field, its possibilities charted, and the best man sent there. But no matter how well-equipped this man is to overcome the difficulties, he is not left to battle alone. Bulletins are sent and daily letters of encouragement and help, signed

personally by high officials, go to every worker in the field. It is a family affair; all profit by the success of one.

In addition to personal profit that comes from successful selling of life insurance, the insurance company instills a pride into its men so that they find their work a fine sport. And there is that bigger thing, the ideal of doing something good for humanity. That, too, is put to use by the life insurance company, so that an agent actually feels that he is doing a great human service when he goes out and persuades men to invest in life insurance.

#### *Helpful Influence of the "Service" Ideal*

Surely a bank is the source of good to any community, and a man may feel that he has done a good service when he has influenced men and women to use it. Men do not live by bread alone, or by work alone, or by money alone. Let the bank clerk feel that he is doing humanity good with his daily work and he will become more interested and enthusiastic. He will become less machinelike in his attitude to depositors, and courtesy and kindness will follow naturally. He will draw people to him and to his bank. And his fellow clerks will catch this spirit and pass it on. The final result will be not only increased business, but also good will on the part of all concerned.

Insurance companies have been forced to be scientific and clever in their methods. They are not at all secretive about them. Almost any banker would be welcomed as an honored visitor and told about the system used. Indeed insurance company presidents are usually proud, and rightfully so, of their organizations, and glad to pass on anything that will benefit other lines of business. By watching their methods a banker will find many a place where his own system can be improved with profit.

# Should Banks Attempt to Regulate Automobile Financing?

Finance Companies Meet to Discuss Methods of Keeping Sales of Automobiles on Sound Basis

By William Hayes

**H**OW to keep instalment sales of automobiles on a sound basis was the chief topic of discussion at the second annual conference of the National Association of Finance Companies, held at Chicago, Ill., November 16-17, 1925. The association was formed in 1924 by several banks and the larger finance companies, to establish conservative standards for automobile financing. At that time the association had a membership of 150. The membership has grown to 248, but the maintenance of the standards laid down at the 1924 conference still engages the greater part of the attention. The first convention recommended that the minimum initial payment for a new passenger car should be one-third of the cash price, and the maximum time for the payment of the balance should be twelve months. In competing for business, however, many instances are found of initial payments of 25 or even 20 per cent. with the time for the payment of the balance extended to eighteen months or longer.

## *Bankers Cannot Regulate the Industry*

There have been suggestions that the banks should force the finance companies to conform to sound practice. This is asking too much of the banks, said Arthur W. Newton, vice-president of the First National Bank of Chicago, in his address "Automobile Financing from the Standpoint of the Bank," continuing as follows:

It is no part of the business of the banks to unite for such a purpose, even if it were feasible or legal for them to do so. But, in fact, such united action on the part of banks is impossible. The banks have

troubles enough in keeping their own houses in order, which as a rule they do very well, without attempting to dictate to other lines of business what they should do. What the banks can and undoubtedly will do is to exercise the same supervision over the individual finance company as they do over the firm or company in any other line of business. In other words, if a bank does not like a finance company's statement, its management, or its methods of doing business; to the extent that it feels that its loans are in jeopardy, the bank will very properly either curtail the finance company's line of credit or withdraw it entirely, just as it would do with any other kind of borrower. Naturally banks inquire of one another as to their experience with this or that finance company, but the First National Bank of Chicago has never yet had any bank suggest to it that it should agree to try to compel any finance company to do its business in any particular way, nor should it care to enter into any such agreement.

## *Twelve Months' Paper More Liquid for Banks*

On the subject of the standard terms recommended at last year's conference, Mr. Newton had this to say:

There is no particular magic in the standard of twelve months' maturity. There are many companies doing a successful business with a considerable volume of their paper running in excess of twelve months. The fact is, however, that there should be a standard to be kept in mind, even though it cannot always be adhered to. The finance companies, during a period of years, built up an enviable reputation and made small losses on a standard of twelve equal monthly payments. So far, therefore, as can be judged by the experience of finance companies—a short experience, of course, as compared with most lines of business—twelve months is a safe standard to operate on. From the banker's viewpoint, it is unsound for any concern to borrow from a bank at six months where the underlying collateral does not largely liquidate itself

during the period of the loan, as, of course, paper with a maximum maturity of twelve months would do. Certainly the finance company which took only twelve months paper, if asked to pay its notes as they matured, could do so by stopping its purchases, using its cash, and liquidating its surplus collateral, if shown a little indulgence by its bankers. This is quite as certainly could not do if its paper ran for as much as twenty months.

The question of down payment is important; some think as much so as that of terms; some think more so. It is certainly a fact that unless there is a substantial down payment, the finance company is, on the one hand, taking from the purchaser notes that represent considerably more than the manufacturer's price for the car, and, on the other hand, if the car is repossessed soon after it has been sold, the finance company stands no chance of selling it for what he has in it. The dealer who parts with a car on a small down payment and twenty or twenty-four monthly payments may think he has sold a car, but if the finance company has recourse on him, he is only renting one, with an option to the buyer of ultimate purchase.

*The Best Terms for the Individual*

Some regard must be paid to the economic or social justification for the individual purchaser owning and operating a car, said Henry Ittleston, president of the Commercial Investment Trust, Inc., New York, in discussing "Automotive Financing from the Standpoint of the Finance Company." He continued:

Credit buying of a motor car related to the individual's income presents a serious economic problem. Most desirable, of course, is the purchase of a motor car out of previously acquired capital, but reasonable outlay from current income is equally justifiable. What is the limit? Among many yardsticks, it has been suggested the limit may be expressed by the following formula:

1. A purchaser should not acquire a motor car if the depreciation during the first twelve months exceeds 15 per cent. of his annual income. Excess depreciation, plus his cost of maintenance, necessary insurance, and repairs create too heavy an income burden for the individual.

2. Accepting the above yardstick, for the moment then, no purchaser should be induced to acquire too costly a motor car by the deluding invitation of small monthly payments, extending over many months. His depreciation loss would be excessive.

3. No motor car should be entrusted to an individual unless his initial investment is sufficiently large to make him feel that he owns the automobile, that he has some pride of ownership, and that he can afford to take care of it and spend sufficient money for its proper care and maintenance. An insufficient down payment, on the other hand, makes the purchaser feel that he is renting the car, and gives him no incentive whatsoever to take proper care of the collateral. The result is excessive depreciation and a severe economic loss to the whole community.

The best way to keep automobile financing conservative, Mr. Ittleston held, is to place a voluntary check on practices which are generally agreed by bankers and the public to be unsound, in the interest of continued co-operation of the banks.

*Conservative Terms the Safest*

But the best reason for adhering to the conservative standards set up at the first conference is because it pays, demonstrated by Charles C. Hanch, general manager of the association, in speaking of the "Safety Zone of Automobile Financing." He said that a comprehensive survey of the experience of the finance companies made last year by the association showed that the average loss on repossessed cars was as follows:

| Number of monthly payments | Loss  |
|----------------------------|-------|
| 12                         | \$ 50 |
| 16-18                      | 78    |
| over 18                    | 220   |

The effect of small down payments was also clearly brought out by the survey:

| Down payments        | Percentage of repossessions |
|----------------------|-----------------------------|
| One-third            | 1.75                        |
| One-fourth           | 3.8                         |
| Less than one-fourth | 11.00                       |

Briefly, then, experience shows that the longer the period of payment, the larger the average loss, and the lower the down payment, the higher the percentage of repossessions. This in it-

self would seem a conclusive argument for the standard terms.

#### *The Question of Dealer Endorsement*

C. E. Gambill, president of the National Automobile Dealers' Association, in discussing "Automobile Financing from the Dealers' Standpoint" said that dealers should not be required to endorse finance company paper, for to do so is to "subject the dealer to a risk which they [the finance companies] are unwilling to take, and may work disaster upon the dealer and force the finance companies to establish car merchandising and car repairing departments of their own." Automobile discounts, he said, were fixed when 95 per cent. of the sales were for cash, and remain the same today. Consequently, if the dealer must assume the risk of losses on financing, his margin of profit is impaired. He advocated a charge of 2 per cent. to be made by the dealer to cover making out finance papers, looking up references, handling insurance documents, and, most important, guaranteeing the payment of the deferred balance in case of default by the customer.

He said that dealer endorsement had the additional disadvantage of making necessary a showing of contingent liability on statements, and thus militating against dealers in getting credit from commercial bankers for carrying merchandise stocks. Finally, Mr. Gambill

protested that commercial bankers, in fixing credit lines for dealers, do not take into consideration the rapid turnover of the business. He did not explain why he suspects bank credit men of neglecting this important factor in the automobile business, when they consider it in all other businesses; not just why a rapid turnover justifies a larger line of credit, and makes the loan safer.

#### *Other Services of the Association*

E. M. Morris, chairman of the association's Committee on Legislation, reported that the committee had been very active and fairly successful during the year, in killing legislation adverse to the automobile financing business, citing the cases, which, unfortunately cannot be included here, space being limited.

J. E. Cronkhite, president of the Commonwealth Securities Company, Wichita, Kansas, told of the successful interchange of service between members of the association, carried on during the year. It has been particularly useful in catching "skips" (a skip is a man who buys a car on time, and then skips to another part of the country). In such a case, the finance company from whom the skip bought the car gets a finance company in the locality to which the skip has gone to represent it in the collection of the account. This service is rendered without charge, except the costs involved, and the results have been very satisfactory.



# Banking and Commercial Law

SPECIAL

**THE BANKERS  
MAGAZINE**

SECTION

1810



1926

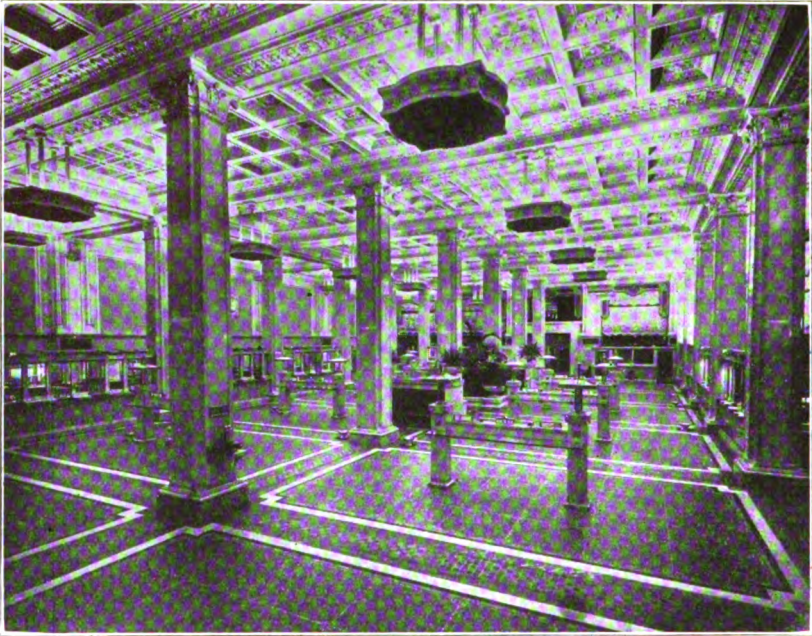
*A Distinctive Service for  
Your New York Business*

**THE  
MECHANICS & METALS  
NATIONAL BANK  
OF THE CITY OF NEW YORK**

**Deposits, Dec. 31, 1925, \$332,000,000**

**G. W. McGARRAH**  
Chairman of the Board

**JOHN McHUGH**  
President



THE FIRST NATIONAL BANK, LOS ANGELES, CAL.

### TIME TELLS THE STORY

**T**HIS interior was designed and executed by this Company in 1912—14 years ago. Every branch of the work was of the highest quality. All of the richly modelled bronze work was treated by the Gorham Company with their standard gold plate.

A recent inspection shows no impairment in this or in other branches of the work.

It has always the value of gold, both in effect and in fact, and will wear indefinitely without cost of upkeep.

We have used this process in many of our operations.

*Design, Engineering Service,  
Construction Management by*

## WEARY AND ALFORD COMPANY

Bank and Office Buildings  
1923 Calumet Avenue  
Chicago

# Cancelation of Book Subscription and Advertising Contract

Central Guarantee Co. v. National Bank of Tacoma, Supreme Court of Washington,  
241 Pac. Rep. 285

**T**HE defendant bank entered into a five year contract with the plaintiff company under which the bank agreed to pay \$100 per year for a copy of the plaintiff company's bank directory and list of attorneys. The contract also included the publication of the bank's advertisement in the directory. The following clause was indorsed upon the contract: "Privilege to cancel at the end of first year by this bank." The contract was dated August 4, 1920 and recited that "subscription commences 1-1-21. Subscription ends 1-1-26."

On January 11, 1922, the bank notified the company to cancel the contract. The company refused to accept the cancelation on the ground that it had not been given before the end of the first year of the contract. In this action by the company to recover the payments due after the first payment, provided for in the contract, it was held that the bank had the entire first year in which to determine whether it would continue or annul the contract and that it was required merely to give notice of its intention within a reasonable time thereafter. It was held that the bank had given notice within a reasonable time and that it was not liable to the company for any further payments.

Action by the Central Guarantee Co. and another against the National Bank of Tacoma. Judgment for defendant, and plaintiffs appeal. Affirmed.

## OPINION

FULLERTON, J.—On August 4, 1920, the respondent, the National Bank of Tacoma, entered into a subscription contract with the appellant Central Guarantee Co., reading as follows:

City of Tacoma, Wash., 8/4/1920.

Central Guarantee Company, Fifth Avenue Bldg., New York City, N. Y.: Please send to our address for 5 years Special Mercantile Edition of the Merchants' Bank Directory and List of Guaranteed Attorneys, for which we will pay the sum of 100.00 Dollars per year on receipt of first copy following date of contract, and annually thereafter. Subscription commences 1-1-21. Subscription ends 1-1-26. Including the name of bank, names of officers,

capital, surplus and undivided profits and deposits. This bank to have sole representation in this city.

The National Bank of Tacoma,  
Tacoma, Wash.  
A. A. Mattison, Cashier.

Prior to the execution of the writing by the bank, and as a part of the contract, there was indorsed thereon by the agent taking the subscription the following words: "Privilege to cancel at the end of first year by this bank." The directory of the appellant company was an annual publication, and the publication for the year 1921 was duly delivered to the bank and paid for by it. On January 11, 1922, the bank notified the appellant by letter that it elected to cancel the contract. The appellant refused to recognize the right of the respondent to so cancel it, and annually thereafter during the term of the contract sent to the respondent its publication. The respondent, however, refused to receive or pay for them. The present action was instituted in January, 1925, to recover the unpaid instalments evidenced by the subscription. The complaint declared upon the contract. The answer, among other defenses, set up the cancelation of the contract pursuant to the optional clause indorsed thereon. The action was tried by the court sitting without a jury. It found the facts substantially as we have related them, and concluded therefrom that there could be no recovery. The appeal is from the judgment entered in accordance with the findings and conclusion.

The controversy, as it is presented to this court, is a narrow one. It is the appellant's contention that the right granted to the respondent to terminate the contract at the end of the first year is in the nature of an option, which could be exercised at some period "prior to the last moment of the last day" of the time fixed, and that any attempted exercise of it after that time came too late. On the other hand, the respondent contends that it had until the end of the full period of the year to determine whether it would continue or annul the contract, and, since no time after the expiration of the year was fixed by the terms of the contract within which it



must exercise the right, the law grants it a reasonable time in which to exercise it, and that it did so within a reasonable time.

Both parties find consolation in our own decisions. The appellants cite and rely on the cases of *Neeson v. Smith*, 47 Wash. 386, 92 P. 131; *Sandberg v. Light*, 55 Wash. 189, 104 P. 205; and *Olsen v. Northern Steamship Co.*, 70 Wash. 493, 127 P. 112. But we think there is a difference between the contracts under consideration in those cases and the contract in the case at bar. The first involved a contract to sell land. The facts of the case are somewhat complicated, but the contract was held to be an option to purchase "within two years" from a stated date, and could not be exercised after a lapse of that time. This will appear from the following excerpts taken from the opinion:

The honorable trial judge arrived at the correct conclusion in holding that it was an option, and that appellant's right to tender payment and demand a deed expired on August 13, 1900. While it is true that the agreement obligated the respondents Smith and wife to sell to the appellant any or all of the lands within a period of two years, it will also be noted that the appellant was not required to take any of such lands, although he might at his option do so, at the prices stated and within the period named. To this extent the contract was unilateral. An obligation whereby one party, for a valuable consideration, binds himself to sell at a fixed price within a certain time, but makes it discretionary with the other party to purchase, being a contract by which the vendor stipulates that the proposed vendee shall have the right to buy at such fixed price and within such certain time or not, at his election, is in law an option. 6 *Current Law*, 1784; *Lawrence v. Pederson*, 34 Wash. 1, 74 P. 1011; *Black v. Maddox*, 104 Ga. 157, 30 S. E. 723; *Idle v. Leiser*, 10 Mont. 5, 24 P. 695, 24 Am. St. [Rep.] 17. \* \* \*

The agreement involved in this action being a contract for an option, the appellant had no rights thereunder after the expiration of the two years, unless he had, within that time, elected to take the property, had tendered the purchase money, and had demanded a deed, which it is not contended he did.

The second of the cases was similar in its purport to the first, and a like conclusion was reached; the court quoting from the earlier opinion to substantiate its conclusion. In *Olsen v. Northern Steamship Co.*, it appeared that the defendant com-

pany employed the plaintiff as master mariner of a steamship owned by it at a stated salary. As a further consideration for the employment, the plaintiff purchased certain shares of the capital stock of the defendant company; the company agreeing that, should the plaintiff be discharged as such master, "the defendant would, within six months after said discharge, at plaintiff's option, take redelivery of said shares, and repay plaintiff the par value thereof." We held that the option, to be available to the plaintiff, had to be exercised within the six months' period after the discharge, and that an attempt to exercise it after the expiration of that period came too late.

The case on which the respondent places its principal reliance is *McDougall v. O'Connell*, 72 Wash. 349, 130 P. 362, 131 P. 204. In that case the plaintiff had purchased certain mining property from the defendant, taking an agreement from the defendant evidenced by the following language:

If Mr. McDougall is dissatisfied with the property I have sold him in Camp O'Connell, Elk county, Nevada, at the end of three years, he keeping up his share of the assessment work, I agree to return him the amount he has paid for it, \$2500, with 10 per cent. interest.

The limitation prescribed in the contract expired on May 20, 1911, and the plaintiff expressed his dissatisfaction with the property and his election to rescind the contract two days later. The trial court held that the exercise of the right granted by the contract came too late and denied a recovery. On the appeal we reversed the judgment, holding that the plaintiff could not declare his dissatisfaction with the purchase prior to the expiration of the time prescribed in the contract, and that he had a reasonable time thereafter in which to exercise the right. In the course of the opinion it was said:

The first question presented requires the interpretation of the clause "at the end of three years," as used in the contract. Under this provision the appellant could not have declared his dissatisfaction prior to the expiration of the three years mentioned, for the contract specifies otherwise. Contracts with like or similar language have been frequently construed by courts of last resort to mean that notice of dissatisfaction or demand for the return of money must be made within a reasonable time after the expiration of the time stated. "At the end of

three years" in contracts of this character means within a reasonable time thereafter. *Rogers v. Burr*, 97 Ga. 10, 25 S. E. 339; *La Dow v. Bement & Sons*, 119 Mich. 684, 79 N. W. 1048, 45 L. R. A. 479.

A second case cited is *Tacoma Nat. Bank v. Sprague*, 33 Wash. 285, 74 P. 393. That was a proceeding to revive a judgment. The statute then provided:

If any judgment remain unsatisfied in whole or in part at the end of five years after the date of its rendition, the lien thereof may be revived and continued as in this section provided.

The mover in the proceeding, holding a judgment, sought to revive it before the end of the five-year period. This we held he could not do, using this language:

The statute clearly provides that, if any judgment shall remain unsatisfied in whole or in part at the end of five years after the date of its rendition, the lien thereof may be revived or continued. It seems clear that the words "at the end" mean after the expiration of five years.

The appellant argues that we have here made a distinction where no room for distinction exists; that in each of the instances an option was granted, and that "whatever difference there may be in the scope or meaning of these two terms or phrases ('within the year' and 'at the end of the year'), when generally used, when used in an option contract to fix a limitation of time for the exercise of an option, they mean the same so far as fixing a definite limitation is concerned." But we cannot agree with this reasoning. There is nothing peculiar about an option contract that differentiates it from any other contract in so far as the construction of the language used is concerned. Like every other contract, the words employed therein must be given their ordinary and popularly accepted meaning, in the absence of anything to show that they were used in a different sense. There is, we think, in the ordinary understanding, an essential difference in meaning between the expression "within one year" and the expression "at the end of one year." Most certainly, the ordinary person, a person not versed in the technical lore of the law, would understand that a right granted to be exercised "within one year" would expire with the expiration of the year, while he would equally understand that a right granted to be exercised "at the end of one year" arose at the ex-

piration of the year. Stated in another way, he would understand from the first expression that the end of the year marked the expiration of the granted right, while he would understand from the latter that it marked its beginning.

We but applied this principle in the cited cases, and further investigation convinces us that there is not only no conflict between them, but that the distinction made has for its foundation a sound basis.

The appellant has called to our attention cases from other jurisdictions which hold that there is no essential difference in legal effect between the expressions noted and which reach a conclusion different from that reached by us. Perhaps the best reasoned of these are the cases of *Schweinsburg v. Altman*, 145 App. Div. 377, 130 N. Y. S. 37, and *I. X. L. Furniture & Carpet Installment House v. Berets*, 32 Utah, 454, 91 P. 279. To the first we note a dissenting opinion by two of the five judges participating, which to our minds destroys much of the force of the main opinion. The second was by the full court. We shall not, however, notice the argument. It is enough to say that we find a decided conflict in the authorities from other jurisdictions. Supporting our conclusion are the cases of *Rogers v. Burr*, 97 Ga. 10, 25 S. E. 339, and *La Dow v. E. Bement & Sons*, 119 Mich. 685, 79 N. W. 1048, 45 L. R. A. 479, cited in our case of *McDougall v. O'Connell*. Another case is *Davis v. Godart*, 131 Minn. 221, 154 N. W. 1091, where other supporting cases will be found.

It is our opinion that the judgment of the trial court is without error, and it will stand affirmed.



## Stock Dividend Does Not Belong to Life Beneficiary

*In re Diehl's Estate*, Orphans' Court of Essex County, 130 Atl. Rep. 220.

A will created a trust for the life of the beneficiary, with the remainder over to others after the beneficiary's death. The trust fund consisted in part of 400 shares of the common stock of the Belt Railroad & Stockyards Co. The company declared but not after maturity, which was not presented for payment either before or after maturity, and was not delivered to or left a 50 per cent. common stock dividend of

which the trust estate was entitled to 200 shares. It was held that the life beneficiary was not entitled to the stock dividend as profits or income but that the new shares should be regarded as principal and belonged to the corpus of the estate.

In the matter of the estate of Henry C. Diehl, deceased. On exceptions to accounting of trustee. Exceptions overruled, with instructions to the trustee.

#### OPINION

**CAFFREY, J.**—Henry C. Diehl died in December, 1915. Under his will Mary J. Whaley was the beneficiary of the trust created for the term of her natural life, with remainder over. Included in the estate held in trust were 400 shares of the common stock of the Belt Railroad & Stockyards Co. The par value of the common stock outstanding was \$2,000,000. On June 26, 1920, the corporation declared a dividend of common stock of a par value of \$1,000,000. The estate became entitled to 200 shares of the stock declared, representing a 50 per cent. stock dividend on its holding of 400 shares. Mary J. Whaley contends that the 200 shares of stock so declared comes within the category of rents, issues and profits, thereby entitling her to the same as income. The trustee has filed his account, and asks for instructions as to the disposition of the stock received as a dividend. The life tenant, Whaley, thereupon filed exceptions to the account, alleging a failure of the accountant to include in the income account a part of the stock dividend of 200 shares.

The question raised herein is to what extent this stock dividend shall be viewed as corpus and to what extent as income.

The evidence before the court is in the form of depositions de bene esse of S. C. Rauh and H. D. Lane, both residents of Indianapolis, and president and auditor, respectively, of the company. In addition to that there is a statement of income and property values of the corporation, marked Exhibit A, showing the income and property values, including dividends, from December 31, 1910, to May 31, 1920. This report, in conjunction with Mr. Rauh's testimony, shows that the surplus account had increased very little from 1911 (at which time a prior stock dividend was declared) up to 1920, when the stock dividend in question was voted. To some extent this surplus account represents money that was

left after the payment of the ordinary dividends, and used from time to time for betterments. The testimony of Mr Rauh further shows that the increase in the surplus account from 1915 to 1920 came from an enhancement of the capital assets, and at the time of the declaration of the \$1,000,000 dividend in 1920 it could not be paid in cash. Mr. Lane's testimony is to the same effect, with an additional recitation that on May 28 an appraisal of the physical property was made, which served as the real basis of value on which the stock dividend in controversy was declared.

For the purpose of this memorandum there is no necessity of setting out in detail the figures which are attached to the deposition, but my examination of the testimony, in conjunction with the report submitted, leads me to believe that the stock dividend was made possible by the increased valuation of the corporate assets. This question has been presented many times, and it has been discussed in a long line of cases. *Lang v. Lang*, 56 N. J. Eq. 603, 40 A. 278; *Day v. Faulks*, 79 N. J. Eq. 66, 81 A. 354, and cases cited. In *McCracken v. Gulick*, 92 N. J. Eq. 214, 112 A. 317, Mr. Justice Swayze declared that upon the earning of an extraordinary dividend, or on account of an unusual accumulation of earnings, a life tenant is entitled to receive, at least, some of the extraordinary dividends. With this rule in mind, but distinguishing the facts in that case from the one under consideration, it seems to me that the rule laid down in *McCoy v. McCloskey*, 94 N. J. Eq. 60, 117 A. 473, is conclusive, because I am satisfied that the stock dividend represents nothing more than the enhanced value of the assets of the Belt Railroad & Stockyards Co. It follows, therefore, that the stock dividend, in its entirety, will be considered as corpus.

Therefore, the exception by the life tenant will be disallowed, and the trustee is instructed to include the stock dividend as corpus of the estate.



#### Certificate of Deposit Not Protected by Guaranty Fund

Austin, Banking Commissioner, v. Avant,  
Court of Civil Appeals of Texas, 277  
S. W. Rep. 409.

A time certificate of deposit, not subject to check and bearing interest before

with the bank for deposit, is not payable out of the Texas deposit guaranty fund.

Suit by Mrs. Lela Avant against Charles O. Austin, Banking Commissioner of Texas, and others. Judgment for the plaintiff, and the defendants appeal. Reversed and rendered in part, and in part affirmed.

#### OPINION

PELPHREY, C. J.—This is a suit instituted by Mrs. Lela Avant, a feme sole, plaintiff, against the Pecos Valley State Bank, J. L. Chapman, as banking commissioner, and J. L. Chapman, W. A. Keeling, and C. B. Terrell, composing the state banking board, defendants, for the sum of \$2000, and asking that her claim therefor be established as payable out of the state guaranty fund.

The defendants J. L. Chapman, banking commissioner, the Pecos Valley State Bank, and the banking board answered by general demurrer and general denial, and further alleged that the certificate of deposit upon which plaintiff based her suit was surrendered, if at all, within less than ninety days before the closing of the bank, and that when said certificate was surrendered and when it was changed to a common deposit, if at all, the bank was then insolvent and contemplated insolvency, which fact was known to plaintiff.

The case was tried by the court without the intervention of a jury and resulted in a judgment in favor of plaintiff and against defendants for \$2000, with interest from the 18th day of December, 1924, and established same as payable out of the state guaranty fund. From this judgment defendants have appealed.

The evidence shows: That on August 1, 1923, plaintiff deposited in the Pecos Valley State Bank the sum of \$2000 and received therefor a certificate of deposit reading as follows:

The Pecos Valley State Bank. No. 792. Pecos, Texas, August 1, 1923. This certifies that Mrs. Lela Avant has deposited in this bank two thousand and no one-hundredths (\$2000.00) dollars, payable in current funds to the order of herself on the return of this certificate properly indorsed, with interest at the rate of 5 per cent. per annum three months from July 21, 1923. No interest after maturity. Not subject to check.

J. G. Love, President.

That the above certificate reflected the contract between the bank and the plain-

tiff in its entirety, and that no interest was paid or contracted to be paid except as shown by the certificate; that except by certificate the deposit was not secured in any way by bonds, collateral, or otherwise; that claim was made within the time prescribed by law to the banking commissioner asking that said deposit be paid in full out of the state guaranty fund as an unsecured, noninterest bearing deposit; and that said claim was rejected by the banking commissioner.

Appellants, defendants in the trial court, assign error to the court's action in overruling their general demurrer to appellee's petition and to the action of the court in rendering judgment establishing appellee's deposit as an unsecured, noninterest bearing deposit payable out of the state guaranty fund.

We cannot agree with appellants' contention that appellee's petition is subject to general demurrer. The question as to whether or not the deposit of appellee was such a deposit as was payable out of the state guaranty fund we find a more difficult question. If the deposit ceased to be a time deposit at the maturity date specified in the certificate and became an ordinary deposit, bearing no interest and being unsecured, then the judgment of the trial court was eminently correct; but, if the certificate was, after its maturity, merely a noninterest bearing certificate of deposit, then the judgment should be reversed.

Article 486 of the civil statutes provides:

That, in case a bank is closed by the commissioner or placed in his hands for liquidation, "depositors of said bank or trust company, \* \* \* shall be paid in full out of the cash in said bank or trust company that can be made immediately available, \* \* \* the remainder shall be paid out of the depositors' guaranty fund through the said board, in the event the cash available in said institution shall be insufficient; provided, that deposits upon which interest is being paid, or contracted to be paid, directly or indirectly by said bank, its officers or stockholders, to the depositor and deposits otherwise secured, shall not be insured under this chapter, but shall only receive the pro rata amount," etc.

Was appellee such a depositor as was entitled under the provisions of article 486, to have her deposit paid in full out of the depositors' guaranty fund? We think not. A depositor, as that term is used in article 486, was defined by our Supreme Court in

the case of *Kidder v. Hall*, 113 Tex. 49, 251 S. W. 499, as follows:

A depositor is one who delivers to or leaves with a bank money, or checks or drafts the commercial equivalent of money, subject to his order, and by virtue of which action the title to the money passes to the bank.

This definition was adopted by the Supreme Court from an opinion in the case of *Lankford v. Schroeder*, 47 Okl. 279, 147 P. 1052, L. R. A. 1915F, 626, in which the Supreme Court of Oklahoma further defined a depositor entitled to be protected by the state guaranty fund as "one who takes his money, or its equivalent, and places it \* \* \* in the bank to his credit, subject to his right to check it out or withdraw it from the bank at will."

In the case of *Chapman, Commissioner of Insurance and Banking, v. Tyler County*, 259 S. W. 301, in which a writ of error was refused, the Beaumont Court of Civil Appeals held that a county who has had assigned to it noninterest bearing certificates of deposit as part payment for the purchase of county bonds was not such depositor as was protected under the "depositors' guaranty fund," and based its conclusion upon the fact that the county was not a depositor as defined by the Supreme Court in *Kidder v. Hall*, supra.

The deposit when made by appellee on August 1, 1923, was certainly not subject to her order, but was for a period of three months, and, by the provisions of the certificate, was not subject to check; therefore she was not a depositor at that time as defined by the Supreme Court. There is no evidence that appellee ever, before or after maturity, presented the certificate to the bank for payment, or that she ever "delivered to" or "left with" the bank the certificate of deposit.

The certificate of deposit being a negotiable instrument, the bank would have been within its rights in refusing to pay the money without its surrender as provided for in the certificate. That being true, then the only way the \$2000 could have become such deposit as is protected by article 486 would be for appellee to have presented the certificate, received the money, and left same with the bank, subject to her order, or, conceding the certificate of deposit to be the commercial equivalent of money, which we do not believe it to be, to have "delivered to" or "left with" the bank the

certificate as a deposit, subject to her check or withdrawal. Neither of these steps having been taken, appellee, at the time the bank closed, was either the holder of a past-due certificate of deposit, which in a great majority of jurisdictions has been held to be in legal effect nothing more or less than a promissory note (7 C. J. p. 647, and notes), and, therefore, a creditor of the bank, or the holder of a past-due non-interest bearing certificate of deposit.

In neither case would she be protected by the "depositors' guaranty fund." Depositors, not ordinary creditors, of banks, are protected by said fund; and it is provided in the Acts 38th Leg. Reg. Sess. c. 150, p. 323, that:

Noninterest bearing certificates of deposit \* \* \* shall not be insured or in any way protected by the guaranty fund law of the state banks of Texas.

The judgment of the district court is reversed, and judgment rendered in favor of appellants J. L. Chapman, banking commissioner, and J. L. Chapman, W. A. Keeling, and C. B. Terrell, composing the state banking board, in so far as the claim of appellee was established as a noninterest bearing deposit, and as payable out of the state guaranty fund, and that otherwise the judgment of the district court is affirmed.

Reversed and rendered in part; affirmed in part.



## Bank Not Liable in Loaning Depositor's Money

*Morgan v. City National Bank*, Court of Civil Appeals of Texas, 277 S. W. Rep. 403.

The plaintiff authorized the cashier of the defendant bank to loan out his money for him. Acting upon this authority, the cashier loaned \$3000 to J. L. Brooks, a local grain dealer. Brooks transacted a large business for the size of the town in which he was located and his credit with the bank was good. In the course of his business, he had had overdrafts at the bank to the amount of thousands of dollars. At the time the plaintiff's money was loaned to him, he had an overdraft for about \$3000, but this overdraft was overcome time and again by deposits which he made. The

plaintiff had knowledge of the loan shortly after it was made but made no protest against it until Brooks subsequently went into bankruptcy. It was held that the evidence was sufficient to support a verdict by the jury holding the bank free from liability.

Action by G. R. Morgan against the City National Bank. Judgment for defendant, and plaintiff appeals. Affirmed.

### OPINION

RANDOLPH, J.—This is the second appeal in this case. The opinion on the first appeal will be found in 258 S. W. 572. On the first appeal, appellant in this appeal was appellee in that appeal; the positions being reversed here. Judge Boyce, in considering the case on such former appeal, has made a very clear statement of the case, and we will not attempt to again make a general statement.

Appellant's first proposition is as follows:

Where a bank agrees that, if another person will become its customer and keep a liberal deposit in said bank, it will loan out his money for him, and said bank, in violation of such agreement, negligently, or without requiring security, or for the purpose of itself receiving the money and applying same on the debt to it of the person borrowing, or if, knowing such borrower to be insolvent, loans such customer's money to him and it is thereby lost to the customer, the bank is liable to him for the money lost.

In the opinion on the former appeal, Judge Boyce held that such a contract as herein alleged between the appellant and appellee's cashier, Koger, was *ultra vires*, but in the matter of the alleged fraud in the appropriation charged, in which the bank was alleged to have received the benefit of appellant's money, he says:

But we do believe that the bank, on the case made by plaintiff's pleading, might be held liable, independent of any liability on the contract properly speaking, for its fraudulent dealing with plaintiff's funds intrusted to it.

This was an abstract proposition based on the plaintiff's pleading, and was not intended as an adjudication of plaintiff's and defendant's rights under the evidence in the case. It was, of course, only intended as a guide to the trial court in his submission of the case, on retrial, to the jury.

The trial court, among other instructions

given the jury, gave the following in his general charge:

If you find from the evidence that Earl L. Koger, defendant's cashier, loaned \$3000 of plaintiff's money to J. L. Brooks, and you further find that an ordinarily prudent person would not have made such loan without having the said J. L. Brooks to have secured said loan in addition to his individual responsibility, or if you find from the evidence that defendant's cashier, E. L. Koger, loaned \$3000 of plaintiff's money to J. L. Brooks, and you further find at the date and time he made said loan that the said J. L. Brooks was insolvent, and you further find that the defendant's cashier, Earl L. Koger, at the time he made the said loan to the said Brooks, knew that the said Brooks was insolvent, or if you find that the said Brooks was owing defendant bank at the time said loan was made to him, and you further find that the money so loaned to J. L. Brooks was applied by the defendant to the payment of the indebtedness of said J. L. Brooks to the defendant bank, and that said loan was made by the said Earl L. Koger, the defendant's cashier, for that purpose, then you will find in favor of the plaintiff for the sum of \$3000, with 6 per cent. interest thereon from January 1, 1922.

The jury found a general verdict for the defendant, and by their verdict negative every proposition of liability on the part of the defendant, and such verdict is an implied answer to each issue submitted in such general charge. *McBride v. Hodges* (Tex. Civ. App.) 200 S. W. 877; *Gammage v. Gamer Co.* (Tex. Com. App.) 209 S. W. 389; *Texas Electric Ry. v. Scott* (Tex. Civ. App.) 220 S. W. 1112.

We do not think any material purpose can be served by any attempt to state the evidence, for the purpose of showing that the jury had evidence upon which it could find the verdict it did find. It is sufficient to say that the evidence shows that J. L. Brooks was a grain and feed dealer; that he did a large business for a town the size of Wellington; that his credit at the bank was good; that in the course of his business he had overdrafts to the amount of thousands of dollars; that at the time he borrowed plaintiff's money he had an overdraft for near \$2000; that this overdraft was overcome time and again by deposits made by him; that the bank continued to loan him money by means of overdrafts for more than a year after the date of the loan of plaintiff's money, and exhibited con-

tinued confidence in him by its own dealings with him. It also appears that the plaintiff became aware of this loan shortly after it was made, and that he never protested against the loan until the final bankruptcy of Brooks. It has therefore, in our opinion, not been made clear by any means that Brooks at the time of the loan was insolvent, and it is not made clear by any means that the bank had any notice of such insolvency, if he was insolvent.

The appellant, under his second proposition, challenges as error the giving of the following special charges requested by defendant:

You are charged that an agent is a person who acts for or represents another by his authority. Bearing in mind the foregoing definition, if you find and believe from the evidence that Earl L. Koger acted as the agent for G. R. Morgan in making the loan of his money to J. L. Brooks under his instructions, you will find for the defendant bank.

The appellant reserved no exception to this charge at the time it was given, but it was presented in his motion for new trial filed in the trial court, and is here pre-

sented only in his argument under his second proposition. In the proposition itself the charge complained of is not identified in any manner and the assignment upon which it is based is not referred to. Because the proposition does not refer to and identify the special charge complained of, and for the further reason that the special instruction was not excepted to prior to its submission to the jury, in writing, we overrule said second proposition. *Gulf, T. & W. Ry. Co. v. Dickey*, 108 Tex. 126, 187 S. W. 184, 188; *Gulf, Colorado & Santa Fé Ry. Co. v. Conley* (Tex. Com. App.) 252 S. W. 787; *Id.* 113 Tex. 472, 260 S. W. 561, 32 A. L. R. 1188.

In the *Dickey* Case, supra, Chief Justice Phillips holds that article 2061, Texas Revised Civil Statutes, as amended (Vernon's Sayles' Ann. Civ. St. 1914, art. 2061), requires a bill of exception to be taken to the giving or refusing of a special instruction in order to have a revision of the court's action on appeal.

We think that the third proposition is also met by our decision of the question presented in the first proposition, and, overruling the three propositions, we affirm the judgment of the trial court.



## Banking Bills at Washington

### Much Proposed Legislation Affecting Banks Now Before Congress

**I**N spite of considerable opposition from the forces favoring branch banking, the McFadden Bill (H.R.2) passed the House of Representatives early in February. Hearings on the bill before a sub-committee of the Senate Committee on Banking and Currency will begin on February 16. The sub-committee is composed of Senators Pepper of Pennsylvania, Edge of New Jersey, and Glass of Virginia. It is in the Senate that the strongest opposition to the bill is likely to develop.

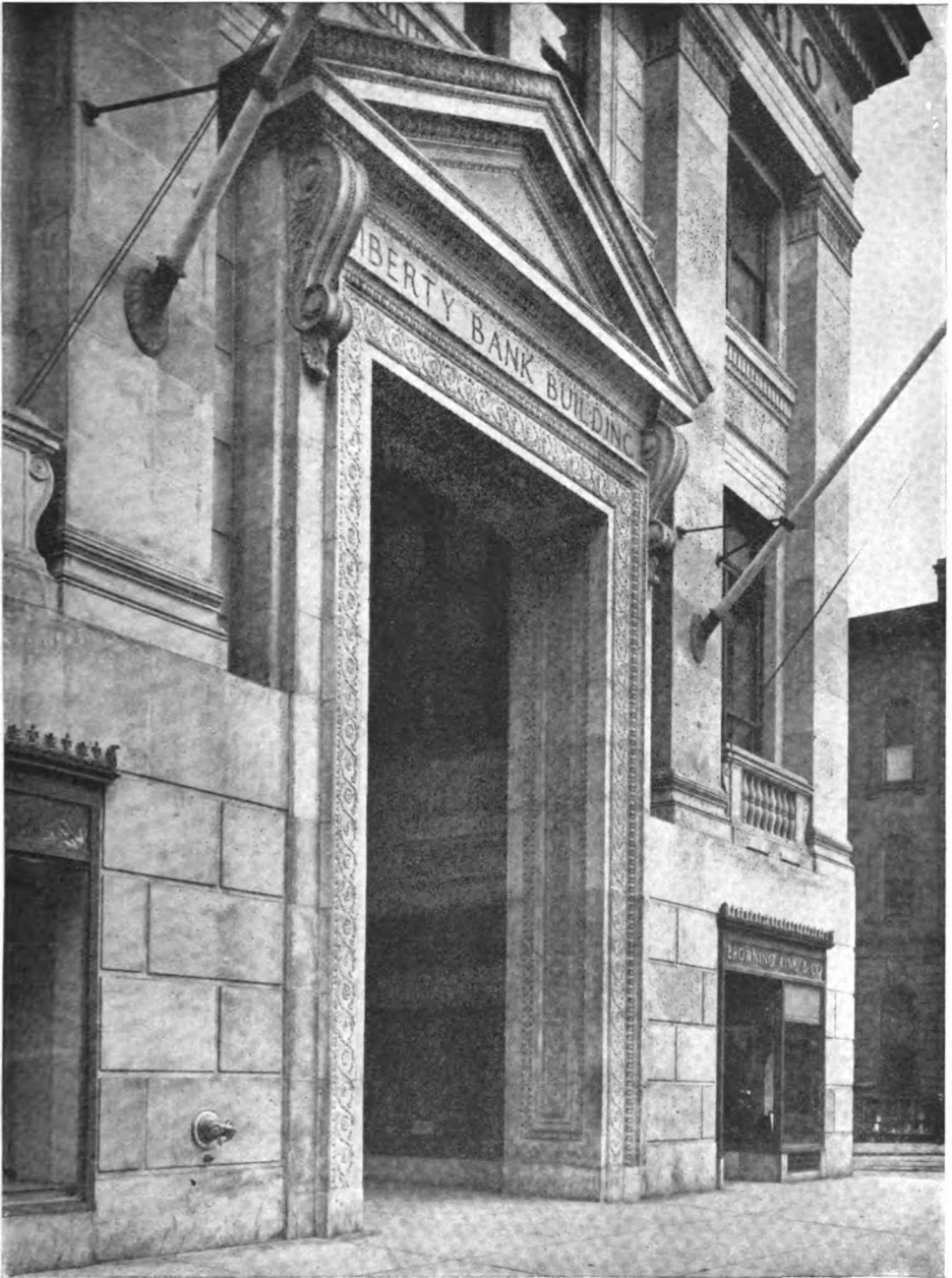
However, the debate on the McFadden Bill does not seem to have taken up all the legislators' time, as is shown by the number of other banking bills introduced.

Representative Black of New York, has introduced a bill to increase the membership of the Federal Reserve Board from eight to nine, the new member to be chosen as a representative of the state banks and trust companies. If this sort of thing continues, each industry demanding its own

representative, the board will soon become a sort of subsidiary Congress. A similar measure has been introduced in the Senate by Senator King, of Utah.

#### *Bill to Permit Members to Borrow From Federal Reserve*

Mr. McFadden has introduced a bill to permit member banks to borrow from their Federal Reserve Banks on their promissory notes for periods up to ninety days. The present provision of the law limits the length of time banks can borrow on their own notes to fifteen days, and is intended only to provide for special contingencies, when banks need temporary advances. Banks wanting credit for longer periods have it available through rediscounting. To permit banks to borrow on their own notes for this longer period would be to encourage them to tie up their assets in ineligible paper, obtaining funds from the Federal



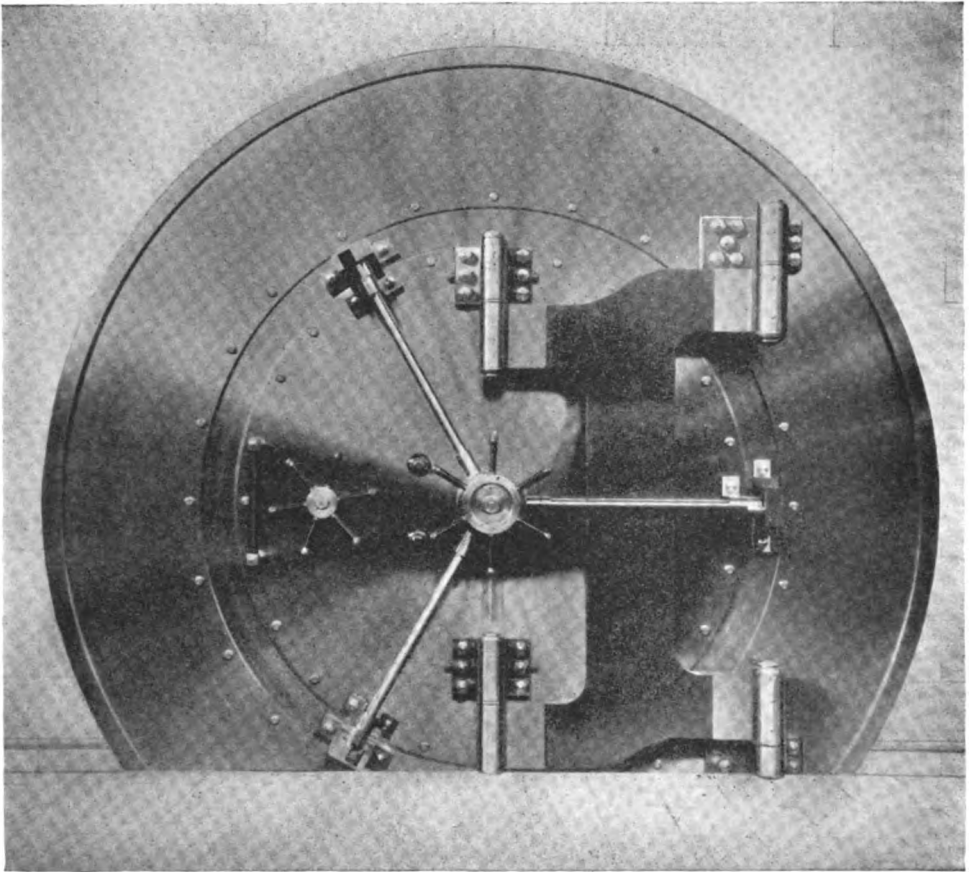
DRIX DURYEA

Entrance to the new building of the Liberty Bank of Buffalo, N. Y.

**E**VERYONE entering the portal of the Liberty Bank of Buffalo must pass through this door. Twenty-three stories of tenants are therefore daily compelled to see the bank and realize its important relationship to themselves and its activities.

**ALFRED C. BOSSOM**  
BANK ARCHITECT & EQUIPMENT ENGINEER  
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Circular Entrance to Safety Deposit Vault, First National Bank & Trust Co., Frackville, Pennsylvania

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*Designed, manufactured and installed by*  
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always continue to build the same undeviating quality into its product.*

Reserve Banks, when needed, on their own notes, and leaving nothing to fall back on in case of special need. Furthermore, it would invite inflation, by making possible the issue of Federal Reserve notes based not necessarily on commercial transactions, but merely on banks' promises to pay. Clearly, this would be a violation of the spirit of the Federal Reserve Act.

Senator Dill of Washington has introduced a bill permitting the establishment of national banks in cities of over 50,000 population with a capitalization of \$50,000, to take care of a local situation in the Senator's home state, it is reported. This comes at about the same time that the Comptroller of the Currency's report is published stating that one of the chief causes of bank failures is the intense competition resulting from too many banks. Hence the wisdom of encouraging the organization of more small, weak banks may be doubted.

#### *Bill to Amend Method of Fixing Discount Rate*

Representative Strong, of Kansas, has introduced a bill to change the provision of the Federal Reserve Act which lays down the method for fixing the discount rate. At present, this section reads: "each Federal Reserve Bank shall have the power to establish, from time to time, subject to review and determination of the Federal Reserve Board, rates of discount to be charged by the Federal Reserve Bank for each class of paper, which shall be fixed with a view of accommodating commerce and business." Mr. Strong would substitute, in effect, in place of the last word, "business," the words "the price level." "With the changed wording," says Mr. Strong, "the index of prices would govern the movement up or down of the rate. When prices get too high, the rate would

advance, and there would follow, naturally, a liquidation which would bring prices down to the general price level. When prices become very low, the rate would be decreased, giving great opportunities for purchasing, and prices would react again to the natural level." This leaves open the question of what is "the natural level" of prices, and who is to decide when they are "too high." Still, it might be effective, if it were granted, as Mr. Strong seems to assume, that the function of the Federal Reserve System is to stabilize prices. What legislators seem to have such great difficulty in remembering is that the system is not an agency for the redistribution of wealth, nor an agency to help the farmers, nor an agency to maintain the purchasing power of the dollar, but an agency, in the words of the act itself "to furnish an elastic currency, to afford means of rediscounting commercial paper, and to establish a more effective supervision of banking in the United States."

#### *Proposal to Investigate Federal Reserve*

Finally, the perennial demand for an investigation of the Federal Reserve System has come up again, this time in a resolution offered by Senator King, of Utah, who is reported to hold the system responsible for the numerous bank failures during 1924 and 1925, for the widespread use of reserve bank credit to finance speculation, for lax banking supervision and examination, etc. Such an investigation would undoubtedly be expensive, but the expense would be justified if there was some hope of convincing of their error the many people who believe that the system is responsible for all these things. It is doubtful, however, if enough people would read the report of such an investigating committee to make it worth while.

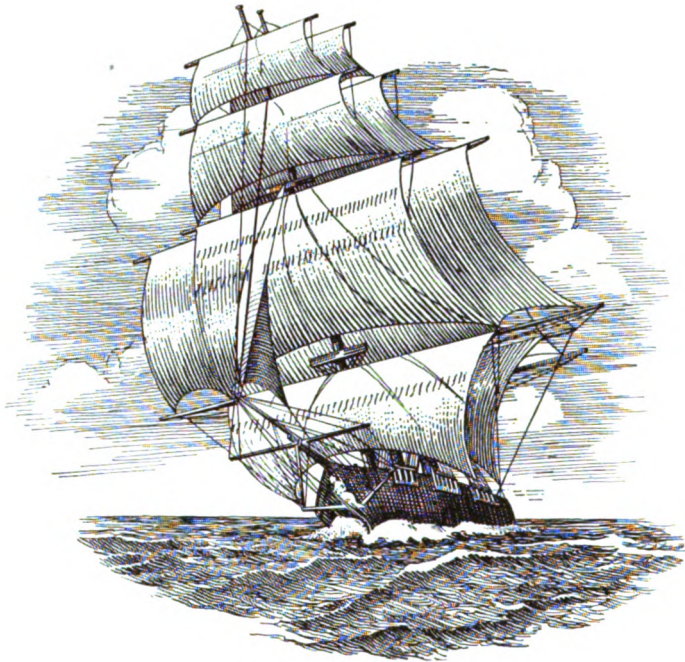


## Novel Banking Business

*From The Corn Exchange, monthly house organ of the Corn Exchange National Bank, Philadelphia, Pa.*

**N**OTHING more novel has been seen in Rhodesia since regular banking was instituted than the operations conducted by the Standard Bank (of Umtali) at its Penhalonga agency recently. Owing to the Imbeza River being in flood, the bank's "Lizzie" bearing the money and two officials was unable to make the passage of the drift (ford); so, disembarking on the Umtali side of the stream, the officials spread their wares in neat piles on the ground and invited the

Penhalongaites who wished to cash checks or to make deposits to come across and do so. Then ensued a procession of natives fording the stream with cheques or bags of money held high overhead to the "bank" and back again with deposit slips or required cash. The day's operations concluded satisfactorily, the officials returned to town, having given practical expression to the boast of "business as usual."



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*Total Resources Over \$100,000,000*

# THE ATLANTIC NATIONAL BANK OF BOSTON

# Banking Publicity

Special Section of The Bankers Magazine

FEBRUARY 1926

## Making Type Alone Tell The Story

By A. A. SHIELDS

FROM time to time, banks are puzzled by the question of what kind of illustrations to use in their newspaper advertisements.

Pictures are not always needed.

This is not an argument against the use of pictures. There are times when a good advertisement can be had without pictures. This tells why, and also gives some of the principles for a successful all-type advertisement.

If other advertisers in your city are running heavy on pictures, you will appreciate some of the advantages of the all-type advertisement, as pointed out in *Printers' Ink*, by W. Livingston Larned:

"The proportion of all-type advertising is very small today. Pictures are everywhere. This may be one of the reasons why the unillustrated display, done with sensitive understanding is very apt to be conspicuous—a distinct relief.

"In the all-type advertisement there are no interruptions nor distractions. You start the story and go right on through to its conclusion, with no side trips and intermittent excursions to pictures.

"Type, wisely selected and distributed, possesses illustrative qualities. I have seen an all-type display to which even the finest illustration would have been an obtrusive addition. Some of these displays are very beautiful. . . . They leave nothing to be desired, no matter how you may be addicted to pictures."

Now, if a bank is not going to use pictures there are a few simple rules about type that can easily be kept in mind. They are not "fine points" but things which will easily appeal to the common sense.

### A Few Simple Rules

Don't let the printer use several different kinds of type

in your bank advertisement. The same kind of type in different sizes is better and the reader's eye will make the adjustment from one to the other more quickly than if there were new styles of type to recognize.

### Need Not Shout to Be Heard

"An artistic, easily read type face in two sizes, first large, then small, sets forth the dignity of a selling story," said R. Gilbert Gardner, in

## Looking up the record of a Bank with a record to look up to!

**F**OUNDED by Jay Cooke just before the Battle of Gettysburg, June 20th, 1863—obtained the first charter granted under the National Bank Act—served the City and the nation in the crucial hours of the Civil War and helped restore public credit in the period of post-war reconstruction.

**A** PERSONAL-CONTACT bank—a bank both strong in its deposits and strong with its depositors—counting its resources in friendships as well as funds—up-to-date in its methods without being out-of-touch with its clients—rendering a banking service that is a genuine asset to those who use it!

*Look us up or let us look you up!  
Whichever you prefer—Make it now!*

## FIRST NATIONAL BANK

of Philadelphia



Main Office  
315 CHESTNUT STREET

Broad Street Office  
BROAD & SANSOM STREETS

A good example of how effective an all-type advertisement can be made. It is splendidly balanced, attractive to the eye and easy to read. It bears every evidence of expert workmanship. The type fits the copy and the layout fits the type.

## 348 New Accounts

In November

During the month of November 348 new accounts and North Little Rock truly appreciate our "SERVICE BEFORE SURPLUS AND COURTESY BEFORE SURPLUS AND COURTESY BEFORE CAPITAL."

We welcome those new customers, and shall exert every effort to render them extraordinary financial service.

### Peoples Savings Bank

W. E. LENOX, President. E. M. JACOWAY, Vice Pres.  
J. F. LENOX, Vice President. E. BODEMANN, Vice Pres.

124 MAIN STREET

The above advertisement looks at first glance as though someone had picked up a handful of type at random and thrown it violently against the page. The border design adds materially to the confusing effect of the layout.

*Inland Printer.* By keeping the style of type the same, he pointed out, the story was "unmarred by one loud-mouthed break" of the kind so "common and injurious to many advertisements." Then he added: "The more an advertiser shouts and yells typographically the less he makes himself heard. Advertising is selling by paper and print and not one time in ten is it the leather-lunged member of the selling force that puts the new accounts on the books."

Big advertisers do not go in for a lot of different kinds of type. J. L. Frazier checked 404 advertisements in the big magazines, including a well-known five-cent weekly. He found that 377 of them used only nine different kinds of type among them.

#### Too Much Bold Face

Another form of shouting sometimes used in bank advertising is to have a great many words emphasized in black letters. Some have maintained that this is strong and impres-

sive, but when the matter came up for discussion in *Inland Printer*, Mr. Frazier, typography expert, asked:

### CONDITIONS ARE GOOD

'TIS TRUE THAT CONDITIONS ARE GOOD, BUT EVEN WHEN TIMES ARE BEST, IT IS A GOOD THING TO PLAN CAREFULLY SO THAT CALAMITY DOES NOT COME AS A RESULT OF YOUR STRUGGLE FOR SUCCESS. HARD WORK, CAREFUL PLANNING AND CONSTANT WATCHING AHEAD WILL BRING REWARDS THAT WILL PLEASE YOU

DON'T FORGET THAT IT OFTEN PAYS HANDSOMELY TO TALK WITH YOUR BANKER ABOUT YOUR PLANS AND PROBLEMS FOR HE CAN OFTEN WORK HAND IN HAND WITH YOU FOR SUCCESS.

### THE FIRST NATIONAL BANK

### "IF"

HOW MANY TIMES HAVE YOU SAID TO YOURSELF "IF I ONLY HAD THE MONEY I WOULD DO SO AND SO."

HAVE YOU STOPPED TO THINK IF YOU HAD SAVED ONLY A PORTION OF YOUR WEEKLY OR MONTHLY INCOME A GOOD MANY OF THESE DESIRES COULD BE FULFILLED. ELIMINATE THAT LITTLE WORD "IF" IN THE FUTURE BY STARTING A SAVINGS ACCOUNT NOW.

### Commercial National Bank

These two advertisements, in addition to being very ineptly laid out, have a bad attack of what one advertising man has termed "capitalitis." They are both unattractive to the eye and difficult to read.

"Is a face covered with pock marks strong and impressive?"

Then he made the point clearer—the point of not having too many different kinds of type in the advertisement—by declaring:

"Real strength, not the flash in the pan variety, is something that not only catches the eye but holds it."

#### Why Not All Capitals?

The same thing is true of lines set all in capital letters. They do not hold the eye; they are hard to read. It is an ill, according to Mr. Frazier. He called it "Capitalitis." He offered a remedy. It was "Go easy."

But why should banks go easy on capital letters? Is it good business or just art?

Consider a warning sounded one time in *Inland Printer* by C. W. Lechleider, instructor in typography at Marquette University:

## Do You Ever Ask Your Banker?

A customer of ours asked one of our officers his opinion of business conditions in Denver during the coming winter. He was contemplating the purchase of a small store, and wanted advice on future business anticipations. He got it.

Such questions are asked of bankers every day, because a banker is in a position to observe the barometer of business more closely than men in other lines. He gets his information from contact with various lines of trade, and makes a point of keeping posted.

The thought is: if you know some man in your bank he can, and does, if he is interested in you, give you a great deal of valuable information.

If you are a client here you can always get sympathetic advice on your business problems. We are interested in the success of our customers, and like to help. Over a period of years that may be worth a great deal to a growing business.

**Home Savings and Merchants Bank**  
Seventeenth and Champa Sts.

An advertisement both easy to look at and easy to read. It bears out the statement that an advertisement need not shout to be heard.

### Importance of Legibility

"Legibility is the first factor in the success of an advertisement. If it cannot be read it is useless. Setting an advertisement in all capitals prevents easy reading. Capitals and lower case can be read five times as fast as all capitals. The reader is accustomed to capitals and lower case as used in the news columns. Therefore when the eye strikes a line of capitals it cannot grasp the type as quickly as lower case letters."

Of course, a bank wants to make it easy for the public

to read its advertising. That is a good reason for avoiding the use of capitals, but there is a still better one. The late Louis Sherbow summed it very neatly in his book "Effective Type Use for Advertising:"

### Cold Dignity vs. Warmth

"If you want your announcement to chill people with the cold dignity of a tombstone, go ahead and use caps if you like. Nothing could be better for the purpose. But if you want an announcement to radiate a bit of warmth and friendliness then use a friendly type. Caps

will help you suggest stodgy, standoffish dignity—if that's what you want. But lower case has a friendly look. It is so open and easy to approach that you aren't a bit afraid of it."

### Depending on the Newspapers

"Can't the newspapers be depended upon to look after this for us?" some bankers ask.

No, not all of them. Some advertising men on papers in the smaller cities do not know the elements of making advertisements easy to read. Others do. But in order to save time they will sacrifice the interests of the bank and other advertisers. For instance, the capitals they can set on the typesetting machine are used too freely because that means large-looking letters are turned out rapidly. The result is that nearly all the ads in the paper are messed up with the hard-to-read capitals. The ads look all alike. They are dirty at that—and a dirty-looking paper is a poor advertising medium. Sometimes two bank ads adjoining will look almost alike. There are local papers that are still in the first stage of advertising—the stage that R. T. O'Connell calls "the coal-yard Gothic era when advertise-

## You Wouldn't Drive a Car Without Any Brakes

Or, if you did, you'd know you were buying a wreck.

But a lot of people go through their weeks income without any brakes—and then wonder where it all went, at the end of a couple of days.

Start a checking account here—pay your bills by check, and have a record of what you spend. You'll find a checking account a convenience you won't want to be without after the first few days. It's a sure way to get on top.

**Central Trust Company**

Branch Everywhere on the Safe, Reliable Bank

Another advertisement that makes the most of the potentialities of well selected type, skillfully placed.

ments were merely glorified business cards and not very 'glorified' at that."

#### *Spoiled by Poor Printing*

I see a great many bank advertisements that are spoiled by poor printing. They are of the kind that was submitted to an expert and drew from him this comment:

"We doubt if any one except the proof reader and possibly the advertiser read it. We qualify the statement with respect to the advertiser, for

it seems that if he should read it he'd notice how hard it is to read."

It was a bank advertisement that he was citing to students of typography as a horrible example.

You will find its bad little brothers in the accompanying columns.

Bankers can help the thrift movement by making their advertisements legible and readable; thousands upon thousands of dollars are wasted on bank ads that are never read.



## Educating The Savings Prospect

By C. E. AURACHER

Advertising Manager Cedar Rapids Savings Bank and Trust Company, Cedar Rapids, Iowa

At one time the Cedar Rapids Savings Bank advertised to prospective savings depositors with the suggestive bait that a savings account could be opened with an initial deposit of \$1.00. Many of the prospects took the hint and \$1.00 and became depositors.

While the bank discontinued this particular appeal in its advertising, it is still being used by some banks. Some time ago I read in the advertising copy of a big bank in a large city that "it takes determination and \$1.00 to open a savings account." Possibly a savings prospect would prefer to take a little determination and \$1.00, rather than one minute and \$1.00, and start his account. I will not try to prove either assertion. Yet, our experience tells us that many savings accounts are opened with an initial deposit of \$1.00 for the simple reason that \$1.00 was suggested as the initial deposit.

Over two years ago, the bank began to lay plans for an advertising campaign that it

thought would educate the prospect. The purpose of the campaign was also to continue the education after the prospect became a customer. This seemed to be the logical goal for advertising; how well the plans were formulated and to what extent the bank educated its prospects will be disclosed as the article goes along.

In the first place, it was plain that it would require time to educate a savings prospect. In other words, you must be patient when your purpose is to allow the prospect to sell himself. Naturally, the bank expected to gather in a higher class of accounts by this method, and was content to wait for results.

The bank had employed various methods in the past to influence prospects to become savings depositors, such as employees' contests, novelties and so-called high-pressure methods. So it was with considerable interest that it watched results over a period of the last sixteen months. Our method works along an entirely differ-

**Do—  
The Sensible Thing!**

¶ If you have money to invest and are without the expert knowledge necessary to make a wise choice, do the sensible thing. Consult someone whose business it is to know investment values.

*Bank Department*

**First National Bank**  
In Columbus

11 North High Street      Reserve Bank and Co.  
Founded in 1883

More type with pictorial value. White space has been generously used, but with good judgment.

ent plan than any of those just mentioned. Our purpose is to inject into the prospect's mind the value of personal thrift without his being conscious of the fact; the bank endeavors to influence the prospect and allow him to sell himself.

#### *When a Novelty is Employed*

Usually, when a novelty is employed to induce prospects to become savings depositors, a minimum deposit is required. If \$5, \$10 or \$25 is specified as the initial deposit in order to secure an American flag, a camera, fountain pen or thermos jug, the result is that the majority of accounts are opened with the initial deposit suggested. The novelty is the chief incentive in the greater per cent. of the cases, and the prospect merely comes up to the requirements. Many people will open an account in order to secure the novelty, even though they may have a savings account with another bank. The per cent. of good customers from this class of prospects is small. Then, too, present customers of the bank think they are entitled to the novelty. The buying of savings business is expensive.

The Employees' Contest

In an employees' contest that the bank conducted over two years ago, the average initial deposit was approximately \$60, which amount was considered good at that time. While employees' contests may not be classed as strictly high-pressure methods—employees are seldom trained and effective salesmen—nevertheless, the sales talk often becomes a personal matter; the prospect opens an account from the personal appeal, rather than from a good reason on his own part. The real incentive is pushed into the background many times—the drive is the big thing. Employees strive for immediate results in the way of number of accounts and dollars and cents.



Specimen covers of the institutional, educational and inspirational house organ whose functions are described in the accompanying article, "Educating the Savings Prospect."

A HOUSE OF MONEY APPEALS FOR THE HOUSE OF GOD. The Season's Greetings! Why is the Saviour born in the stable of Bethleem? ... [The text continues with a religious-themed advertisement for a bank, mentioning 'The House of Money' and 'The House of God'.]

A novel departure from the beaten path in bank advertising. This advertisement, run at Christmas time by a Newark, N. J., bank, unsigned, carrying only a modest copyright line, and entirely unrelated to banking, aroused widespread local interest and attracted much favorable comment from the clergy and prominent citizens of Newark. More than 20,000 copies of this advertisement were distributed by Newark churches and Y. M. C. A.'s with the bank's copyright on them, and an additional number was distributed without the bank's copyright at the request of church boards who asked the privilege of using them on their own letterheads without the bank's name.

With novelties, as with employees' contests, the prospect is not given the opportunity to sell himself on thrift, the value of a savings account, or the service offered by the bank. The prospect may realize that he should save with some system; he knows that saving is the right thing to do, for it is an instinct in human life. But the novelty or the sales talk is the spark that ignites the prospect's latent desire to save to such a heat that an account is placed on the bank's books.

The high percentage of close-outs among savings accounts secured by the use of novelties and from employees' contests may be due in part at least to the fact that the prospect has not been thoroughly sold, or an effective follow-up has not been used after the prospect becomes a customer.

A Consistent Follow-up

The bank's present method not only seeks to have the prospect sell himself on the value of personal saving, but it includes a consistent follow-up that keeps selling the savings idea over and over. There are no inducements offered, except the idea of saving itself as a means to an end. Necessarily, the advertising must make saving attractive; it must furnish inspiration to the prospect.

Our advertising did not sell all prospects the first year, on the saving idea. We influenced or educated about one out of every six on our prospective list. Sixteen per cent. is rather a satisfactory result on a list of 3000 names. Many of these prospects—there remain approximately 2500 on the list—who have not yet opened ac-

(Continued on page 259)



## Banking Publicity

RICHARD F. DURHAM, Editor

Monthly Publicity Section

THE BANKERS MAGAZINE

71-73 Murray St., New York

FEBRUARY 1926

**W**HAT about the profitable and well satisfied customer, whose account pays day in and day out, and who makes use of a number and variety of the bank's services? Are the banks, with all the zeal and energy with which they are going after new business, and striving to hold old business, paying enough attention to this type of customer, whose good will is one of the strongest assets which they have?

No banker needs to be told that one of the best potential sources of new business lies in the satisfied and worth while customer. Yet, so often a handclasp, a warm greeting, a brief exchange of pleasantries, and he is dismissed from mind. A few tactful suggestions, a personal note now and then at well-timed intervals from one of the bank's officers, and his interest in the affairs of the bank might well be doubled. His attitude can be turned from one of passive good will to one of active support and greatly increased endeavor to divert to the bank business of the same desirable character as his own. In seeking to develop the uncultivated fields

on the other side of the fence, the bank should not neglect to till the fertile soil in which its prosperity is nurtured.

The advertising department of the bank, in its turn, can with advantage pay serious heed to the generous investment of time, energy and funds in the cultivation, through the various mediums at its disposal, of the profitable and well disposed customer, whose active good will and support can be made of more practical value to the bank than all the advertisements ever printed.



**S**AVINGS accounts, safe-deposit boxes, trust services—these can be sold through an appeal to certain of the desires, whims, notions and prejudices which characterize, in varying degree, the makeup of the average human. But the selling of commercial banking service is not so easily nor so frequently amenable to appeals of this variety. A man who feels the need of a commercial account will be primarily influenced by either the advice of some friend who already has such an account, or else by simple convenience of location. Appeals based on such abstract qualities as safety, stability, strength and conservatism have in this day and time lost such tangible value as they may once have possibly had. The business man

of today takes such qualities for granted as being inherent in the makeup of the average bank.

How then can commercial advertising be made effective? How can one bank overcome the handicap of not being as conveniently located to certain portions of the community as another, or even several others? How can a bank overcome the handicap of the influence of friends of a potential customer, who may, not unreasonably, try to influence him to bank elsewhere?

These problems have perhaps been most effectively met by banks who have made a real and sustained effort to make their advertising of a highly institutional nature — to make themselves identified in the public mind with the progress and welfare of the respective communities in which they are located. They have tried to make people feel that to be a customer of their particular institution, means to be identified with something important to the community's development; that it means added personal prestige, and that it is a business asset. Banks which have tried this plan consistently over a period of time have found that the increased good will and prestige which it has brought them have assumed tangible form in the marked increase in number and volume of commercial accounts.

## Educating The Savings Prospect

(Continued from page 257)

counts with us, may nevertheless become sufficiently educated on saving and sold on our bank in the near future. Perhaps, they do not absorb the material so rapidly as some of the others. Should we discontinue our method, doubtless many new accounts would be opened from this list within the next few months. But to continue the advertising, promises even larger results for us in the future—the cumulative returns lead us to believe that we are right in this conclusion.

There is no specified amount in our advertising for opening a savings account, and there is no limit as to the time when an account may be started.

### *Development Slow but Sure*

Just as the athlete prepares himself for a contest under the direction of his coach, so the prospective saver is developed by a mental diet to the point where he becomes a saver and is ready to progress in financial matters. The process is slow, but it is sure. Graduates are now coming rapidly from the prospective class and entering the saving class. The first six months of our campaign, we produced about 4 per cent. customers from our list of 3000 prospects; the second six months, 8 per cent. became savers; while for the period of sixteen months, 18 per cent. opened accounts.

Results from our present method have been carefully and accurately tabulated. We consider the figures reliable. The period covered is sixteen months, from January 1924, when the plan was placed in operation, to May 1925. Approximately 3000 prospective depositors are included on our mailing list. For the period named, the following results are credited to

## Who's Who in Bank Advertising



I. I. SPERLING

Publicity manager Cleveland Trust Company  
Cleveland, Ohio

**M**R. SPERLING has been with the Cleveland Trust Company for the last six years. Prior to that time he was a member of the editorial staff of the "Cleveland Plain Dealer" as sporting and feature writer, police reporter, and later copy editor. In 1925 he completed the development of an all-year-round bank merchandising campaign during the course of which the advertising, new business and employees' activities are centered for one month at a time on the selling of some specific phase of bank service. Results measured in some of the departments thus advertised have shown the plan to be successful. Mr. Sperring is 29 years old. He has recently been named chairman of the publicity committee of the Financial Advertisers' Association, and has been a member of that organization's extension committee for the last two years. He was chairman of the nominating committee at the association's convention in Columbus, Ohio, in 1925. He is past secretary and past president of the Cleveland Financial Advertisers' Association. He has been a frequent contributor to bank publications of articles on financial publicity.

the advertising method in question:

|                              |             |
|------------------------------|-------------|
| Accounts opened—             |             |
| First 6 months of 1924.....  | 121         |
| Second 6 months of 1924..... | 241         |
| Four months of 1925.....     | 197         |
|                              | 559         |
| Total Initial deposits—      |             |
| First 6 months of 1924.....  | \$14,184.34 |
| Second 6 months of 1924..... | 31,881.75   |
| Four months of 1925.....     | 42,672.97   |
|                              | \$88,739.06 |

*Facts Brought Out by Returns*

These results reveal interesting facts. Observe the cumulative returns both in the number of accounts and total initial de-

posits for the different periods covered. Consider also the high average of initial deposits: \$117 for the first six months of 1924, \$132 for the second six months of 1924, \$216 for the four months of 1925, and \$158 for the entire sixteen months.

In regard to the cultivation of accounts secured by our method, on February 1, 1925, a check-up showed that the total amount on deposit in the new accounts opened from the list of prospects in 1924 was 35 per cent. more than the total

of the initial deposits in these same accounts.

Here are results that are not in the \$1 class. While it is true that some accounts included in the results were opened with a small initial deposit, there were no extra large initial deposits at any time to offset these small accounts.

Savings accounts from educated prospects are more permanent than the average accounts. The close-outs from the accounts opened in 1924 were about 50 per cent. of the average for the entire number of our savings accounts. It would appear that these prospects that were educated into savers had good reasons in their own minds for opening their accounts. The reasons may not have originated with the depositor, yet in most instances, the depositor gives himself credit.



**"UP FROM THE GRAVE HE AROSE!"**

Easter brings to us more keenly the realization that we are under the care and control of a Divine Being who conquered all obstacles, even death itself.

All the things on earth take on new life. Even we ourselves revel in new Spring **apparel**. We are inspired to redouble our efforts toward comfortable living and financial profit.

Let us not lose sight of the fact that in this, as in all other seasons, the policies of energy and thrift are fundamental in the building of success.

We desire to reconsecrate our services to you who have need of a friendly banking relationship.

**"There Is No Substitute for Safety"**

**Farmers Security Bank**

Here is an advertisement regarding which it is not necessary to say very much. It has almost everything wrong with it, and may be held up as a particularly good example of how not to prepare a bank advertisement.

*The House Organ as an Educator*


What is our method for educating the savings prospect?

Simply a house organ that we edit and publish ourselves—not the syndicated monthly paper that every reader knows is not published locally by the bank, and for this very reason lacks the power to reflect the atmosphere of the bank. Our copy is localized. In fact, the entire house organ is made up to advertise our institution; as it stands, it could not be used effectively by another institution.

In this house organ, we have the opportunity to become intimate with our readers; we can express ideas, enlarge on the bank's policies, introduce personalities, gossip over affairs of mutual interest and treat the news of the bank in an informal friendly way. These things sell the bank to the prospect. Then, along with this material, there goes hand-in-hand, inspirational material on thrift and the value of saving. We endeavor to print

Member Trust of a Bank

**"The Jolly Testator"**  
 "She bequeathes, she repents,  
 she recalls a donation,  
 And sooth by revoking  
 her own revocation;  
 Still scribbling or scratching  
 some new codicil,  
 Oh! success to the woman  
 who makes her own will"  
 "From 'The Jolly Testator' to 'The  
 Madcap Will'—  
 Lead Adams (1860-1904)"



**T**HE percentage of women or men who attempt to make their own wills is decreasing; but there is still a surprisingly large number who die without leaving a will of any kind. To have your will properly made by a competent attorney costs very little money, and takes very little time. You are then assured of your wishes being carried out. You are enabled to select an executor in whom you have confidence, one qualified by both experience and resources to administer your estate properly.

The Harris Organization places at your disposal, and at that of your attorney, a conservative business experience of over forty years. We will be glad to co-operate with your attorney in the making of your will.

Our booklet "Trust Service," will be given or sent you on request

TRUST DEPARTMENT

**Harris Trust & Savings Bank**

Organized as N. W. Harris & Co. 1881. Incorporated 1907.  
 HARRIS TRUST BUILDING, CHICAGO  
 Capital and Surplus \$7,000,000

"The entire poem, 'The Jolly Testator,' has been reprinted by us and copies may be had on request"

Trust advertising does not frequently lend itself to copy in the lighter vein, but in the above advertisement, one of a series of a very similar nature being run by a Chicago bank, a touch of humor has been both appropriately and successfully used.

information that is both educational and interesting. The readers are told about savings account service, how to use it, what it will do for them, how others use it and what results they get.

Thus, our method educates the prospect by degrees. Reading inspirational material becomes a habit with him. He looks for ideas on saving, revels in new possibilities of thrift and deep down in his being imagines himself the possessor of the good things in life—all made possible by regular saving. Because of its regularity, the house organ creates a satisfactory friendship in bulk between the bank, its prospects and customers.

*Advantages of the House Organ*

The well-edited house organ

has the advantage of a concentrated fire, directed upon the prospect from numerous angles. There are ever new directions from which to approach the subject of saving to make it appear attractive. This tends to give the prospect a broader education; he is more thoroughly sold on saving; he knows more about its many uses and possibilities. He is told over and over, in varying ways, about the value of thrift, about the satisfaction in having money ahead, about the thrill that comes from anticipation of cherished plans. He is made to realize how systematic saving brings results, and how all things are possible to the regular saver.

Finally, he comes to the point where he is willing to postpone many shallow pleasures of the present for genuine lasting en-

joyments later on, knowing that he will be well repaid. So, educating the prospect is merely getting him to want the things money will buy through saving, badly enough to save.

●


## How Banks Are Advertising

**A** NEW monthly bank house organ published by the bank's employes enters the field in volume 1 number 1 of *The American*, a monthly publication, made up in newspaper style, which is published by the employes of the American Banks of Nashville, Tenn. Layout, illustration and copy combine to make "The American" a very readable and interesting publication.

●

**T**HE State Street Trust Company of Boston publishes a four page folder outlining the services performed


**Courteous in the Extreme**



*Every Gentleman when speaking of his subject before the Board, shall not draw the President standing*  
From this bank's original by Lane, 1864

**A** STRANGER within the bank senses a distinct courtesy, passed down from generation to generation of bank employes and officers. It starts at the street curb.

**P**ROUD the bank is to number among its depositors, Newark's oldest families



It meets at the street curb

**U**P to the minute, too, else why do more than half of Newark's leading industries bank there.

**NATIONAL NEWARK & ESSEX BANKING CO.**  
 Headed at Clinton Street, Newark, N. J.  
INCORPORATED 1864

The above advertisement on banking courtesy has been given an unusually distinctive and presentable setting.

by the various divisions of the company's trust department. The first page of the folder lists the principal causes of loss to security holders, and suggests that investors can avoid risk of loss from these causes at small cost by depositing securities in safekeeping with the company. The folder contains several paragraphs on "The Relation of Investment to Your Estate."

“SAFE Bonds for Investment,” an interesting booklet containing a number of readably presented investment suggestions, is published by the investment banking house of Halsey, Stuart & Co.

“THE Chronicle” published by the “Number Six Club” an employe organization of the Bank of America, New York, belongs in the select class of exceptionally good employe house organs. “The Chronicle” has an unusually presentable makeup, is very capably edited and always contains a number of interesting drawings and illustrations.

A FOLDER “Jones Finishes the Job” published by the Cleveland Trust Company contains some unusually good copy on the value of an insurance

trust, written so that the layman can understand it. The copy is presented in narrative form and gives a hypothetical case in which the Jones family solved its financial problems by establishing an insurance trust. The folder is very attractively printed in two colors with well chosen typography and has a very attractive cover design.

DURING the holiday season the Franklin Trust Company of Philadelphia published a very attractive folder in colors entitled “Come Along!” in behalf of its Christmas Club for the approaching year. The folder offers a number of suggestions as to the uses to which Christmas Club money may be put and presents a number of different classes in which a Christmas Club account may be opened.

#### The Truth in Advertising

MUCH has been said of the progress of the radio industry, but there is undoubtedly much ahead for this new field in the world of advertising. One small radio company is several jumps ahead of some of its larger competitors in this respect.

Down on the Jersey coast a manufacturer, one of the largest in his line, of pajamas, etc., displays a large sign on

top of the factory reading: “We put the world to sleep.” The radio company's factory is on the opposite side of the railroad tracks and on top of it is the challenge: “We keep the world awake.”—*Wall Street Journal*.

#### The Traction Interests

RECENTLY an Englishman arrived here on his first visit bearing a draft for \$2000 drawn on a prominent Wall Street institution. The building in which the bank was located enjoyed a subway entrance. The somewhat bewildered Britisher arrived at the subway cash changing booth which he took for the bank and offered his draft for cash. The nickel tosser glanced at the paper and chucked it back with a “quit your kidding.” This did not disturb the Englishman and he again handed in the draft. The Interborough banker this time objected with much heat and indicated that he would call in the law if the Englishman did not “get out damned quickly.” This irate traveler walked straight to the cable office and sent a message to London telling his banker there to cancel the draft with the American bank in question “because of the impertinent treatment I have received at their hands.”—*Wall Street Journal*.

### BANK ADVERTISING EXCHANGE

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# International Banking and Finance

SPECIAL

**BANKERS  
MAGAZINE**

SECTION

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# Domesticating Foreign Securities

By Carlton P. Fuller

**F**OREIGN bonds are different. No matter how precise the similarity to certain domestic issues, no matter how impeccable the security, a foreign bond is inevitably different.

It is not a matter of distance; California is farther from New York than France. It is not a case of ignorance; London is no more difficult to understand than Los Angeles. A foreign issue may be exactly comparable to a domestic issue in every respect except one.

That one is the exchange problem, the necessity for transferring funds across national boundaries, from one currency into another.

It is all right to talk about the growing homogeneity of the world and the steady annihilation of distance, but the international transfer of funds remains the delicate problem it has always been. A foreign loan may pay interest and principal with ease in the country where it is domiciled, yet find it next to impossible to remit that money to the country where it was borrowed.

With that basic consideration in mind, it should be profitable to glance at the foreign non-government loans of the United States, and try to outline their economic, political, and investment significance.

## *A.—United States' Investments in Foreign Lands*

The sum total of our publicly offered foreign loans is about \$10,000,000,000.

Even such a sum leaves us cold in these days of big figures, but fifteen years ago it would have shocked any financier. At that time we were still borrowing abroad, rather than lending. Four years of war effected the transformation, which might have occurred in the natural course of events, but only after the lapse of decades. The war concentrated the world's gold holdings with us, and on them is based our

loaning power. Without attempting to trace the devious channels through which this concentration took place, we may note the results as shown in our loans abroad.

U. S. foreign investments June 30, 1925  
(billions of dollars)

|                               |       |
|-------------------------------|-------|
| Latin America .....           | \$4.1 |
| Canada and Newfoundland ..... | 2.6   |
| Europe .....                  | 2.1   |
| Asia and Oceania .....        | .7    |
| Total .....                   | \$9.5 |

If private and bank credits could be added in, the total would be greatly enhanced.

As an aid in appreciating what \$9,500,000,000 means, the following figures for the United States in 1924 are useful:

|                               | Billions |
|-------------------------------|----------|
| Domestic investments .....    | \$100.0  |
| Savings deposits .....        | 18.1     |
| Life insurance in force ..... | 63.8     |
| U. S. income .....            | 70.0     |
| U. S. wealth .....            | 300.0    |

Our stake in foreign lands is heavy, and it is rapidly growing. During 1925, about one-quarter of all new offerings were foreign loans. They formed the largest group of offerings, leading public utility securities by a wide margin.

Despite the concentration of popular attention on European loans, because of the huge inter-government debts, our heaviest public investments have been made in Latin America. There, and in the other undeveloped countries, is likely to lie our chief interest in the future, for the balancing of budgets, steadying of exchanges, and replenishment of working capital in Europe is a temporary process of a few years, compared with the exploitation of the world's natural resources.

What is this money being used for? Everything from stabilization of exchange to working capital for industrial concerns. Foreign loans cannot be





Resources  
over  
\$170,000,000

## FOUR BILLION

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lumped under one heading any more successfully than domestic loans. Properly, they also should be split up into public utility, railroad, industrial, municipal, Government, and real estate, for all of these groups will be found in the list of foreign offerings. However, \$4,100,000,000 out of the \$9,500,000,000 of loans has some sort of Government guarantee attached.

There, in brief, is our financial stake abroad. Its implications are immeasurable, but can be hinted at in a few paragraphs.

### B.—Economic Results of Foreign Loans

After economic forces compel us, as they have, to make loans abroad, they immediately confront us with the problem of getting the loans and interest on them paid back. There are just four major ways in which other nations can pay us: gold, goods, services, or securities.

Of these, services make only a minor showing, for most countries can do little toward providing us with shipping, banking, or insurance, and even if we throw in such substantial items as immigrants' remittances, the larger portion of the balance must be made up in other forms. Since we are considering the repayment of loans, the issuance of more *securities* does not answer the question of settling up, although the probabilities are that the volume of new issues will always be great. Return of our own securities was once a possibility, but for the most part is no longer a prominent factor.

The choice is left between *gold* and *goods*. As custodians of half the world's gold supply, we have already been facing the dangers of severe price inflation and ensuing collapse for several years. Our economists hailed as a blessing the commencement of gold exports some months ago. Not in gold shall we find satisfactory repayment of interest and loans; more gold would simply provide the basis for more loans.

# 11,000 miles of wires

to facilitate the purchase  
or sale of Bonds



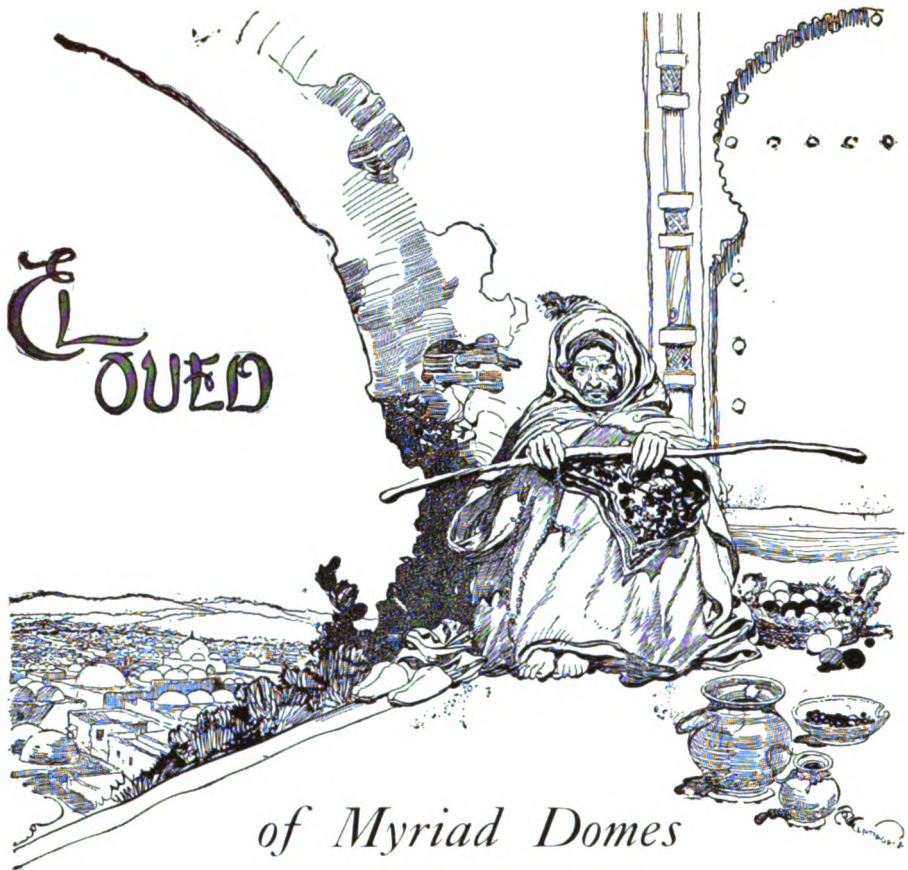
NEW YORK NEW ORLEANS  
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BOSTON PHILADELPHIA  
LONDON MONTREAL  
TOKIO

The plain indication of the situation is goods for payment.

Immediately visions of an overwhelming influx of cheap German goods befog the judgment of business men. As the most obvious and convenient protection available, they call for higher import duties. It is easy to hide their heads in high tariff sands. They should see that high tariffs do not meet the situation; *if we do not receive the goods, our customers in other parts of the world will!*

Then is it true that we are engaged in the short-sighted task of financing dangerous competitors and building up more trouble for the future with every loan we make?

So it might seem to the superficial observer, who would note that (a) we ought to be receiving about \$1,000,000,000 from abroad every year in interest on loans already made; (b) this amount



## of Myriad Domes

**O**VER the shifting sands of the desert to lovely El Oued . . . a thousand creamy domes in a jade setting. Curious, unfathomable city . . . different except for the graceful minarets that tower, spire-like over the rounded roofs.

Can you go on and on in a hum-drum existence . . . while the Arabian Nights are a thing of the present as well as the past? Open your eyes. And plan days of enchantment. Start at Tunis. When you can tear yourself away from her bazaars, go on to Tozeur, the mysterious, the subtle, the Ancient . . . El Oued . . . Touggourt of huddled caravans ready to brave the sand storms, the mirages of the desert. And northward through tawny Biskra, pearly Constantine . . . to Algeria, the azure.

How can you get there? Why, it's only a little more than a day from Marseilles across the blue Mediterranean to Tunis or Algiers. And Europe is

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*New York*

will doubtless increase to \$1,500,000,000 or \$2,000,000,000 within a decade; (c) private and bank credits are not included in the immense total of foreign securities, yet must be paid for in the same way. Are we not throwing good money after bad?

A simple, economic reply in two parts constitutes the essence of any justification of foreign loans:

1. Immediately, loans enable exports. Impoverished countries finance their need for our goods through loans. We thus utilize our superfluous gold reserves, receive interest for their use, and provide a market for our goods. Since the gold would do us more harm than good under present conditions, we come fairly close to getting something for nothing!

2. Ultimately, the prosperity of one nation is involved in the prosperity of the world. Even a selfish policy would dictate assistance to other lands. The commerce of the world is now a unit; injury to one part is, in varying degrees, injury to the whole. A poor monsoon in India decreases the earnings of our cotton farmers; a drought in Australia may raise the prices of the clothes we wear.

While one nation may prosper

for a time by living unto itself, there is no eventual escape from the influence of conditions abroad.

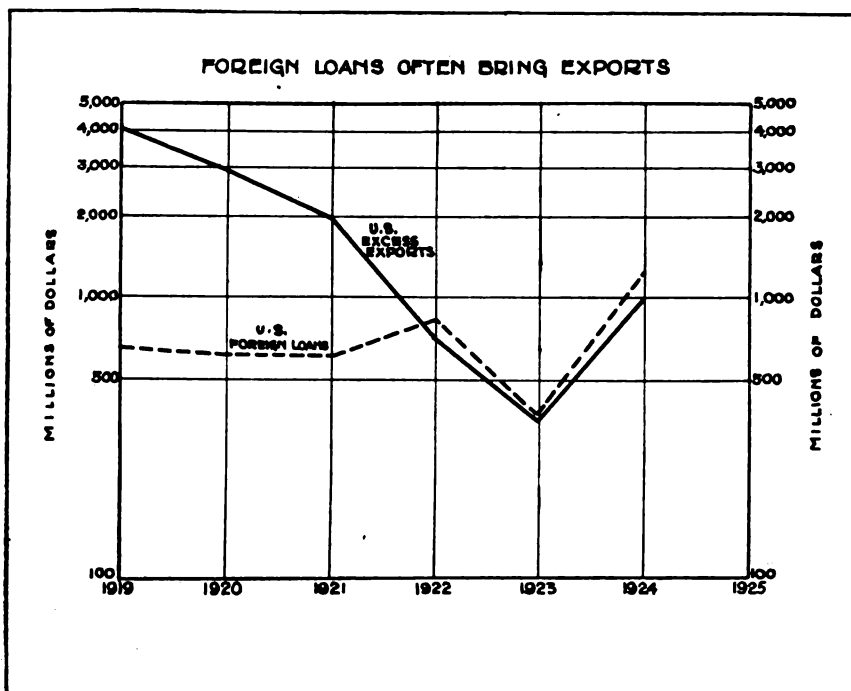
But what about foreign competition?

It is true that it will be severe, in some industries; but we survived keen competition before the war, and keener competition in the inflation period in Europe just ended. It is true that our money often goes to competing concerns, but with it they buy our cotton or copper.

American industry is not going to collapse with the revival of industry abroad. Most of the imported goods which pay interest on the loans will be raw materials for our manufacturers to use or foodstuffs for us to consume. If some manufactured articles gain a foothold in our domestic markets, it is well to remember that the consumer is benefitting—and we are all consumers.

Possibly the exaggerated fear of imports can be traced to the old expression "unfavorable balance of trade," when merchandise imports exceed exports. It may be instructive to note that the reason the United States considered excess exports "favorable" before the war was because we were *borrowing* so heavily abroad that we had to export goods to pay the interest.

Did Europe suffer from loaning to us? On the contrary, she was greatly



International balances are not so simple as this chart might indicate, but the *immediate* effect of exceptionally large loans is usually an increase in exports, as shown in 1924. From 1919-23, foreign loans did not vary significantly, and the purchasing power of other countries was becoming constantly impaired. Our huge loans in 1924 helped improve their purchasing power, and consequently their ability to take our goods

enriched. So, too, in the long run, will our investments abroad bring to us generous returns. And it may well be that the most "favorable" balance of trade for us will be an excess of imports! After all, it is goods that comprise wealth, not gold, and enlargement of our possessions will not entail poverty.

Moreover, it is not necessary to visualize the repayment of the *principal* of all these loans in a flood of goods. As a lending nation, it is quite probable that the United States will continue indefinitely the volume of foreign credits now being issued. So long as the loans are well secured, bondholders will always be found who are glad to have money thus invested. Investors of New England did not worry about how the *principal* of the funds they put into Western railroads was to be returned to them!

*But the outstanding answer to this*

*whole bogey of destructive repayments and ruinous competition is constant growth of world industry.*

No country is standing still. Today sums are involved in international transactions which would have staggered a 1905 model banker. So 1935 and 1945 will find today's poor countries built up by American capital into prosperous customers for our goods and those of other nations. The process goes fast when once started. Pre-war limitations are no guide for present problems.

Even in the case of that most difficult of situations, the transfer of German reparations funds, most careful consideration of the numerous questions involved leads a distinguished committee to the conclusion that "The problem is *not* insuperable."

(The report of this committee incidentally, should receive more attention than it has on this side of the water.



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The Economic Restoration Committee of the International Chamber of Commerce appointed a sub-committee consisting of Sir Josiah Stamp, Signor Alberto Pirelli, and Comte André de Chalendar, who drew up a report called "Reparation Payments and Future International Trade," that is an excellent exposition of the factors involved in international payments.)

### *C.—Political Results of Foreign Loans*

It is no easier for a nation than for an individual to play the role of Croesus. Envy and bitterness assail both. It is a perfectly understandable trait of human nature that a debtor should feel some resentment toward his creditor. Here, then, is one political aspect of foreign loans which bodes little good for world harmony. It will be displayed in high and discriminating tariffs, in unfavorable legislation of various kinds.

Such an attitude is, however, a pass-

ing phase, which time will temper. The boomerang effects of discriminations, and the economic pressure engendered will straighten out these evidences of political antipathy.

It was trying enough for Europe to watch our enormous strides toward wealth before the war when we were still borrowing abroad; how much more antagonism will arise now that we are a creditor, not merely a young prodigy! Already home-comers have related the seeming hatred with which other nationals regard Americans, whom they apparently look upon chiefly as fatted sheep for the slaughter.

Is this the true picture of what may be expected from foreign loans?

By no means. It is the same sort of picture which a certain school of politicians holds up to frighten in the votes, a picture of every new contact with the world developing into a conflict: the more conferences, the more collisions! If such is the case, we may well fear

NEW YORK AGENCY

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for the future. But the efficacy of getting together to prevent disputes has been proved too often to be upset by the numerous exceptions.

The fact of the matter is that the world is becoming so closely knit that economic forces will rapidly supplant political factors in the decision of events. This process has already been in evidence during the last century. Although it does not hold any immediate hope of avoiding wars, it does settle wars.

Friction there will be over our foreign loans, but the tendency will be toward the avoidance of serious quarrels rather than toward further involvement. It is a hopeless task to collect a loan by a war!

Our greatest tribulations will be due to our ignorance in foreign fields. Nearly every loan involves a decision as to which tendency within a country shall be supported, whether this loan will release domestic funds for armaments, whether the party in power should be strengthened, etc., etc. Since such decisions are implicit in every loan, the occasional newspaper advices that "Washington has let it be known that it does not look with favor upon such-and-such financing" are easily comprehended.

An example of political possibilities cropped out in the negotiations for the Belgian stabilization loan, when American bankers suggested that a certain cut in expenditures to balance the budget would be advisable. Opposition

party leaders in Brussels immediately raised the cry of "foreign intervention," "dollar domination," etc. Since it is almost impossible to divest large loans of political significance, the remedy is not to decline loans, but to be sure they support the proper tendencies.

Political consequences of foreign loans should be no more insuperable than economic effects—if we watch our step.

#### *D.—The Individual Investor and Foreign Loans*

For a while there were murmurs to the effect that the market for foreign bonds had gone stale. It was pointed out that flotations for the first six months of 1924 were only \$550,000,000 compared with \$830,000,000 in the previous six months. As a matter of fact, the last half of 1924 made an exceptional record, including Dawes Plan loans, and the total for six months of 1925 was \$172,000,000 ahead of the first six months of 1924. Moreover, the "staleness" was common to the whole bond market—a natural reaction from the flood of new securities and the tendency toward firmer interest rates.

The American investor has done very well, in fact, far better than expected, in his reception of foreign issues. It has taken high yields to induce this favorable reception, but as soon as investors learned that in many cases high yield connoted prejudice instead of high

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risk, they began to overcome that prejudice, with the resultant lowering of the yields.

Even the small investor may conservatively place a limited portion of his funds in strong foreign bonds, but there is danger of over-popularizing such issues in the same manner that real estate bonds have been overplayed. No investor can ever afford to omit careful scrutiny of each issue offered him, no matter how excellent the general type may be.

Yet the real safety of the investor lies in the care of the issuing houses, for no individual can get at the inside situation back of most foreign issues. It is reported that Europe is infested with American adventurers who wander about promising loans and making bids in the hope that they may pick up an issue that will attract New York bankers—and line their own pockets with a fat commission. That way lies danger for the whole foreign security market.

Hazards enough surround all security issues, so that investment houses have a particularly important duty to the public in adopting extra-rigid policies on foreign loans. After the temporary period of stabilizing exchanges and balancing budgets, only productive loans merit the patronage of our bankers—and “productive” should not be stretched into unrecognizable meanings.

It has been demonstrated that the general policy of expanding foreign loans is beneficial to this country as a whole. It must be added that the entire program depends upon acceptance of such bonds by the individual investor. Mere common prudence should, then, warn bankers against “killing the goose” by floating poorly secured, un-economic issues. If proper precautions are taken, the guidance of investment funds into foreign channels may well usher in a period of broader service and greater prosperity for the United States of America.



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## Review of Countries

### Great Britain

**T**HERE is a fascination about superlatives and the financial trend in Great Britain during January offers two: one favorable, one unfavorable. On the one hand, there was the London Board of Trade announcement that Britain's adverse trade balance for 1925 was the greatest in its history. On the other hand, sterling on January 19 reached 4.86½—the highest point since 1914.

The adverse trade balance for 1925 was, roughly, £395,000,000 as against £311,000,000 in 1924. Imports increased £45,000,000 and exports fell £23,000,000. Moreover, it became evident by the middle of January that the December trade reflected no modification of 1925's general tendency, for imports during December were the highest of any month in three years and the December adverse trade balance was, roughly, £13,000,000 greater than that of the preceding month.

The rise of sterling is considered as very favorably significant. London correspondence to the *New York Times* of January 17 reported that "uneasiness concerning the monetary situation had been considerably relieved during the last week by the substantial improvement which has taken place in the exchange market." The general rise was attributed to seasonal influence and also to the exceptional position created by America's large rubber imports. Any connection between sterling's rise and the American visit of Montagu Norman, governor of the Bank of England, is discounted.

On January 24, correspondence to the

same paper reported the London situation as follows:

The outstanding feature of the financial markets during the week of January 18, was the strength in sterling. Rather curiously, this received little attention in the press, which usually is not slow to boom anything favorable that happens in the exchange situation. Exchange market dealers, however, are fully alive to the position, while a glow of satisfaction spread almost throughout the stock market, where gilt-edged securities made a quite handsome response.

On January 19 sterling touched \$4.86½ in this market. During last year's recovery, immediately after return to the gold standard, it reached \$4.86-7/16, in May, which was the high point of the year. Exact records of sterling's movements between the beginning and end of the war were not kept by most bankers, but it is generally agreed that the recent advance put sterling at the highest rate quoted since the third week of December, 1914.

#### *London Banking Tradition Broken*

According to New York investment bankers who keep in close touch with the international financial situation London bankers have broken with tradition in their competition for foreign loans. The *New York Times* summarizes this new development as follows:

For generations, before the war, financial London had charted the world and its loan possibilities, and as the result of many years of work, certain big banks came to be identified with the issues of certain countries. One house would float all the issues of

# Near East Banking

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certain South American countries, another would concentrate, perhaps, on Scandinavian nations, and business throughout the world would be apportioned on down the list. The big banks were careful never to invade one another's territories, which led to stabilized conditions and the absence of competitive expenses, in the days when the bulk of the world's financing went to the London market.

One of the evidences of the new situation is furnished by competitive proposals now being made for a new loan to Peru which is to be floated soon in Europe. For more than forty years Peru has arranged its London loans through the banking house of J. Henry Schroder & Co. Proposals for the new loan have been made by the firm of N. M. Rothschild & Son, which for forty years has been the London banker for Chile.

The present situation is particularly surprising to New York bankers because of the strong feeling that exists between Chile and Peru, which at times have been near war as a result of a boundary dispute. A New York house that has floated several Peruvian loans in this market, has refrained from doing business in Chile, because of the situation existing between the two countries, and it is considered odd that the old-line bankers for Chile would seek Peruvian business.

Virtually all foreign loaning was suspended in London during and after the war and it was only recently that the unofficial embargo was lifted and the resumption of activities sanctioned. The London business so far has not been large, though several issues have been floated, including participation in a German potash loan of \$40,000,000.

### *British-American Co-operation Urged*

The importance of close co-operation between Britain and America and the economic inter-dependence of both countries was stressed by Dr. H. Parker Willis, editor of the *Journal of Commerce*, at a dinner tendered him by the British Empire Chamber of Commerce.

In expressing this belief Dr. Willis said, in part, as quoted by the *Journal of Commerce*:

There is still much to be done in the direction of harmonizing and strengthening our banking systems themselves. The Federal Reserve Act provides in one of its wisest sections for the creation of agencies of Federal Reserve Banks abroad authorized to buy and sell paper growing out of American foreign trade. We have never

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|                                    |              |              |
|------------------------------------|--------------|--------------|
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| Capital Subscribed                 | 9,000,000    | (£1,800,000) |
| Capital Paid-up                    | 5,250,000    | (£1,050,000) |
| Reserve Fund and Undivided Profits | 7,291,105    | (£1,458,221) |

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NEW YORK AGENCY, 64 WALL STREET

placed any of these agencies abroad (except a limited form of agency in Havana), but we might be of great service both to home and foreign business men were we to do so. I have felt peculiar gratification in the assistance which the Federal Reserve System is today rendering not only to the Bank of England, but to the National Bank of Belgium and to the Reichsbank through the purchase of paper from them or by the extension of credits in their favor. This is a first step toward something that was contemplated when the reserve act was written. It has been held in abeyance meantime, but it should be put into operation without delay.

It will be well for American bankers and business men to surrender if they have ever entertained the idea of complete independence of Great Britain, and equally well for British bankers to discontinue the attempt to restore pre-war conditions in international financing. What we want now is not independence on the part of either, but fair conditions of mutual dependence and mutual co-operation. The groundwork for these conditions undoubtedly should be laid by rectification of the debt funding agreement

now in effect, to the end that we may give to Great Britain that position as a "most favored nation," demand for which has always constituted a fundamental place in our own diplomatic practice. The second step will be found in the abolition of our own protective and discriminatory banking laws at the same time that like measures of repeal are resorted to in the various British dominions and colonies. The final step must come through joint action designed to bring about community of interest and identity of practice, both with regard to central banking and the use of commercial paper and credit instruments.

### *British Super-Power Plans*

There seems to be no disposition in England to accept the verdict of decadence recently pronounced against that country. Instead of living on past economic glory England is busied with plans for future growth. Among these is a project for super-power development.

Two years ago Lloyd George gave publicity to the studies of a commission along these lines. Announcement is now made

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and Irving Bank-Columbia Trust Company

that the Government is planning a survey to determine the possibilities.

The *New York Times* points out that:

Since England has practically no water power, it must generate most of its electricity by steam. All things being equal, water-generated electricity is cheaper. On the other hand, England's coal deposits are so extensive and so well distributed that the country is under no handicap in this respect. All super-power plans for England have therefore embodied the idea of establishing power plants as near as practicable to collieries.

The greatest advantage in placing electric plants at mine pits lies in the possible economies in power distribution. Instead of sending coal over railways and through other and more complicated channels to the consumer, energy in the coal would be sent direct to market over transmission lines. Moreover, by placing electric plants at the heads of mine shafts, it would be possible to utilize coal of a quality too poor to be transported and sold in the usual way. Less spectacular, but equally important in the English plan is standardization. At present devices used in the generation, distribution and consumption of power in England are not standardized to the extent to which they have been in the United States.

## Germany

**E**XPERT testimony as to Germany's financial condition was given by S. Parker Gilbert, Agent General for Reparations Payments, at a dinner tendered him by the Council on Foreign Relations in January. To the 175 prominent business men and public officials who honored him, Mr. Gilbert said, in part, speaking of the Dawes Plan:


So far as the operation of the plan up to this time is concerned, those charged with its administration have attacked their task like the experts themselves, "as business men anxious to obtain results." The plan itself is functioning smoothly. The two preliminary objects for which the experts were originally appointed have been attained. Germany now has a stable currency and the German budget is balanced. These were the essential conditions of German economic recovery, as well as of reparation payments. The budget, in fact, has thus far shown a considerable surplus, even in the face of mounting expenditure.

In the field of reparation payments the plan has also had notable results. The first annuity of 1,000,000,000 gold marks was all paid within the year, four-fifths out of the proceeds of the German external loan and

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the balance by the German Railway Company in the form of interest on its reparation bonds. In the second annuity year, over four months of which have now elapsed, the amount to be paid rises to 1,220,000,000 of gold marks, and involves for the first time a charge on the German budget. These payments Germany is making each month with the utmost promptitude. At the same time she has co-operated helpfully in making arrangements for future payments that will facilitate the even flow of deliveries and payments to the creditor countries. The various creditor powers, on their parts, have been receiving reparation deliveries and payments regularly and in accordance with expectations.

From the point of view of German reconstruction, the plan has certainly marked the turning point in the recovery from the disorder and disorganization of inflation. The first year was regarded by the experts themselves as giving an opportunity for economic rehabilitation. Much progress has been made, but the readjustment is still in process. Many difficulties remain to be overcome.

German business and industry are still greatly in need of working capital, and in

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many fields face serious problems of reorganization. In some directions this has produced conditions approaching crisis, but the present difficulties must be regarded as inevitable accompaniments of the return to stable conditions.

As to the ultimate possibilities of reparations under the plan, and the future of the reparation problem, it is too early to draw conclusions. The fact remains, however, that the plan has already succeeded in placing the whole problem on a new basis. The world has been able, for the first time in years, to stop talking about reparations, and to find out in a practical way what the payments mean, and how far it is feasible in actual practice for reparations to be paid by Germany and transferred to the creditor powers. The best answer to speculations about the future is that the plan has within itself the seeds of growth and the flexibility that should make it feasible to keep pace with changing conditions.

The experts emphasized in concluding their report that the reconstruction of Germany was not an end in itself, but was only part of the larger problem of the reconstruction of Europe. From this broader point of view, the plan has set an example

of taking problems in their proper order and of moving step by step to the larger goal of reconstruction. By taking the reparation problem out of the field of political controversy it has greatly helped in the creation of a better atmosphere in Europe and has contributed its part to the recent pacts of arbitration and security.

### *Big German Steel Merger*

The outstanding industrial and financial development in Germany at the beginning of 1926 was the merger of seven large steel companies into a concern under the name United Steel Works. The seven merging companies were:

The Thyssen group, the Gelsenkirchener Bergwerk, the Bochumer Verein, the Deutsch-Luxemburg group, the Phoenix-Wolff-Reinstahl group, the Van der Zypen Wissener concern and the Rhenische Stahlwerke.

This merger represents, says the *Journal of Commerce* report from Essen, the preliminary step toward the formation of a gigantic German combine for the adjustment of raw products problems and for competition in the world's markets with the United States steel interests and other international industrial alliances. The total capitalization of the seven merging companies is more than \$150,000,000.

American financial activity in connection with this merger centers in Dillon, Read & Co. At the beginning of January there were rumors in Berlin financial circles that this American firm was promoting such a merger. At that time leading industrialists in Germany were quoted as saying such a development was "unthinkable." By mid-January it became known that Dillon, Read & Co., were preparing the issuance of \$25,000,000 of securities in connection with the steel merger and that this firm had organized a \$15,000,000 corporation, in association with the Disconto-Gesellschaft and with Mendelssohn & Co. of Amsterdam. The purpose of this corporation is the extension of credits to German and other European corporations.

### *American Purchase of German Bank Shares*

The month of January which witnessed favorable Senate action on America's joining the World Court also saw additional business interest in European finance. On January 11, it was reported from Frankfurt that a group of stockholders in the Dresdner Bank had sold its holdings to a

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New York banking syndicate, headed by Lehman Brothers. The *Vossische Zeitung* of Berlin included Hallgarten & Co. in the transaction.

The significance of this international financial activity was pointed out in a *Journal of Commerce* editorial under the heading, "International Bank Control:"

News that a group of New York interests has purchased a large block of shares in the Dresdner Bank carries one step further the gradual development of an interlacing of bank interests which has been in progress for a long time past between Germany and the United States. Both in German and Austrian banks the control which is now exerted by American citizens or houses is very considerable.

This kind of connection is, of course, absolutely essential if we are in fact expecting to continue the assumption of a prominent part in German financing. Most of the mistakes we have made thus far have been due to a lack of real knowledge of conditions as they exist there. We have not been well equipped either with credit information or with actual power to control or direct the progress of banking in Germany. Control of the use of short term funds naturally goes hand in hand with the furnishing of

long term investment funds. This lays a much stronger foundation for American investment than could otherwise be obtained. There is nothing that can ever eliminate the possible political hazards involved in the placing of capital on foreign soil but the economic hazards should be reduced so far as possible to a minimum.

## France

WHAT might be described as a first-of-the-year inventory of the French state of mind is contained in an Associated Press résumé of France's economic situation. This summary contains also a symposium of opinion from all walks of French life and shows the actual mood of the nation:

France at the outset of the new year has the balance of foreign trade in her favor, is keeping 2,000,000 foreign workers, as well as her own 5,000,000 laborers and mechanics busy, paying them wages that make life easy for them and maintaining in circulation a mass of money that furnishes unparalleled business activity throughout the country.

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opinion of financiers and business men, accounts for the patience with which "the average Frenchman" has suffered the irritating complications of politics and the vicissitudes of the financial situation. It also explains why the French people, notwithstanding the fact that the year-end has left the financial problems of the country in the air, greet 1926 with easy confidence.

Looked at from the Government angle, a consistent and safe policy persistently followed will, and must, put French finance on a plane with the economic situation.

"A budget that is balanced so that it will stay balanced, a sinking fund for debts that will be airtight against politics," is the way M. Doumer, ex-Minister of Finance, expressed the essentials of financial restoration and the stabilization of the franc which may reasonably be hoped for and which should be the New Year's wish uppermost in the French mind.

"Confidence is the first essential," in the opinion of M. Francois-Marsal, leader of the Nationalist wing of the opposition in Parliament, who adds: "A national union truce in partisan quarrels and a united effort by all classes will bring about that confidence."

The leader of the Communists, the other wing of the opposition, thinks that a dictatorship of workmen and peasants is the best thing the new year can bring.

The real spirit of the common people of France, according to Lucien Besnard, dramatic author, one of the persons outside of political circles engaging in the crusade for the renovation of finances, is shown by the contributions of certain small towns.

"My burg, Courtomer, with 800 inhabitants, counting women and children," he instances, "comes forward with a free offering of 100,000 francs for the sinking fund. The sacrifice is made cheerfully, without any other condition than that the fund be kept out of the hands of the politicians."

Martin Namy, one of the industrial leaders of North France who offered to pledge their properties as a basis for a movement to renovate French finances, says: "The offer made to the Government by the manufacturers has started the real producers of France on a line from which nothing can now distract them. The idea is contagious and has already caught the masses, as proved by the spontaneous gift of the modest people of Courtomer. A splendid mark has been set at the beginning of the

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new year to other burghs, communes, towns and cities. All that is necessary to bring out in full the generous impulse of the people is the assurance that their sacrifice will not be in vain."

#### *French Producers Apprehensive*

Notwithstanding the marked tone of optimism reflected in the opinions above quoted there is a dark side to the picture also, as shown by special correspondence to the *Journal of Commerce* from its Paris representative. The latter writes his paper that:

The industrial situation causes serious apprehension at the present time. The indications of a deficit in the export balance, the beginning of which was announced previously continued during the month of October. Imports during that month reached the amount of 4,476,000,000 francs, while exports amounted only to 4,374,000,000. A summary of the first ten months, taking quantities into consideration, shows that imports exceed exports by 14,419,000 tons.

Furthermore, the question is being much discussed in industrial circles whether exports—considering the financial situation—do not constitute a capital loss, anyway. This means that the French exporters cannot on account of the high price of foreign exchange, procure for themselves new values at the price of their preceding sales. It is even said by experts who are basing their opinion on reliable calculations that French industry sells its labor and its material and liquidates the wealth of the nation in all its forms, at the present time at prices which are about one-half lower than at the beginning of the year 1924, and more than one-third lower than the world market prices. On the other hand, it has to restock at world market prices, which constitutes an evident loss.

Another circumstance furthers this process: The French stocks of raw materials can be renewed only with difficulty. In some industries, especially in the textile industry, exports increase faster than imports of raw materials. The statistics of foreign commerce indicate this movement very clearly.

The main result of this is an increase in prices which continue their slow but unalterable movement in France, and it appears quite certain that the application of the new taxation will only strengthen this tendency.

#### *The French Debt to America*

One vivid viewpoint regarding France's debt to America was expressed in the Cham-

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ber of Deputies by the Communist spokesman Marcel Cachin, in a speech which, significantly, drew applause from all parties. The excerpt herewith quoted gives the general tenor of this much-discussed speech:

Does the United States really require the 75,000,000,000 francs they are asking us to pay? Every one knows they are almost suffocating beneath the weight of gold as if paralyzed by their own immense fortune. The country produces 60 per cent. of the cotton of the whole world and in 1923 manufactured 43,000,000 tons of steel, which represents a profit of four or five billion dollars. It produced 31,000,000 tons of pig iron, 600,000,000 tons of coal and three-fifths of the copper of the world. Its shipping tonnage has trebled since 1914. Its railroads represent a capital of \$575,000,000,000. Its electrical industry is queen of the electrical industries of the world; in 1923 it sold \$7,000,000,000 worth of material.

Since the war the United States has absorbed 45 per cent. of the world's gold. Her income equals two and a half times the incomes of England, France, Germany and



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Japan added together. That is American distress.

In order to maintain the gold standard of the pound sterling the City of London for the first time has been forced to bow down before the magnates of Wall Street. When one speaks with the tone you are aware of to a country which is as financially worn out as ours, it is the duty of our Government to protest with energy and compare our infinite distress with the magnificent prosperity of the interlocutor.

The United States is now accomplishing the ambition of her financiers fifty years back—"We, the world's granary, will become its workshop, but shall only be really victorious when we become its banker." The United States has become our banker. With the Dawes Plan she has enslaved Germany. We ourselves are marching with big strides toward financial dependency to American capital. A typical example is Belgium, which shows that its Government and Parliament are at the mercy of American financiers.

Mention has been made of the success of Italy, who obtained favorable conditions for her debt and who increased the value of the lire. But we would like to know whether no secret conventions were signed, whether Italy is still mistress of her industrial and economic forces. Poland recently obtained a small loan of \$35,000,000, but the contract stipulates that if within agreed periods Poland has not executed all its clauses her creditor will lay hands on her railroads and exploit them.

To Norway the same language was spoken in regard to her telephone. As for France, Morgan's bank helped her in 1924, but when the United States again aids us, will she not try to obtain certain guarantees? Will not we, too, feel the yoke of Wall Street? Already a certain section of the press tells us to utilize the state monopolies and advises the sale of tobacco to a company "which will give you billions."

We (the Communists) do not agree to deliver into the hands of American finan-

ciers part of our public fortune. We do not desire that to the exploitation of French capitalism, which is already hard enough, there be added the exploitation of a capitalism with whose methods we are familiar. One exploitation more than suffices us.

We do not desire to see part of our riches fall into the hands of foreign capitalists. The working and peasant classes of this country will never accept the additional sacrifices imposed during sixty-two years in order to give American industrialists, whose methods we know, those 150,000,000,000 asked of us today.

In an editorial captioned "As Others See Us," the *New York Times* commented on this speech in these words:

Marcel Cachin is only, of course, the leader of the small Communist group in the French Chamber. But it is noteworthy and ominous that his violent attack upon the policy of the United States, in the matter of war debts and of disarmament, was not interrupted, and was even applauded by representatives of all political parties present in the Palais Bourbon. His words were not measured, and some of his facts, as telegraphed, would require no little correction, but it is the spirit of his speech that is significant. He arraigned this country for being both sordid and harsh in pressing European nations for payment, and pointed out the various steps by which it would seem that the United States had set about to "reduce the rest of the world to a state of financial slavery." One point in Cachin's indictment was that only those countries which settled with the Treasury could hope to get a loan on favorable terms from American financiers. . . .

The Cachin outburst in the French Parliament is a distinct warning to America that we must walk warily and assume a generous attitude if we are to hope to retain the good opinion and the friendly feeling of foreigners who sometimes see us in a clearer perspective than we do ourselves.



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## Italy

ON January 14, the day before the House of Representatives ratified the American-Italian debt arrangement by a vote of 257-133, the representatives of Italy and England met in London to discuss settlement of the Italian debt to Britain. On January 26 the negotiations were successfully concluded.

Count Volpi, the head of the Italian Debt Commission, was successful in gaining three points, according to the diplomatic correspondent of the *London Telegraph*. These were: (1) a partial moratorium over the first years; (2) a low basic annuity, lower absolutely as well as proportionately than the basic Italian annuity to America; (3) a taking into account by Britain of the Italian gold deposit of £22,000,000 and the interest it is assumed to be deriving therefrom.

The British journalistic comments, upon publication of the debt terms, saw in the arrangement "a bitter pill" and the settlement was widely described as a political rather than a financial settlement. The can-

cellation by Britain of six-sevenths of the Italian debt caused caustic comment in many quarters and Churchill, negotiator for England, was much criticized.

Premier Mussolini praised the settlement and was quoted as predicting that it would lead to "an even greater Italo-English cordiality."

### *Italian Economic Progress*

The *London Times*, reviewing Italy's 1925 progress, summarized the situation as follows:

Few countries in Europe have a better record of progress to show in the year 1925 than Italy, and everyone interested in economic reconstruction must congratulate the Italian people on their commendable achievements. The budget for 1924-25, for instance, closed with a surplus of 417,000,000 lire, which is double the original estimate and the highest surplus ever obtained since the formation of the Italian kingdom. In the current financial year the progress made has been even more conspicuous, the first four months disclosing a surplus of 185,000,000 lire, against deficit of 208,000,000 lire for the corresponding period last year. Unemploy-

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ment has been reduced by about 25 per cent. in the last year. Further, Italy's economic future has been brightened by the fact that the harvest this year was well above the average, and will serve to offset the harvest deficiencies of 1924, which compelled the importation of large quantities of cereals, payment for which had for a time a depressing effect upon the exchange. It is true that the revealed adverse trade balance, which diminished in 1924, has increased in the last year. For the first ten months the excess of imports was 6,927,000,000 lire, against 4,125,000,000 lire in the same period of last year. But Italy, of course, derives a very large income from the remittances of emigrants and the spendings of tourists, and when allowance is made for these invisible exports there is no doubt that with a normal harvest she enjoys a favorable trade balance.

The progress noted for 1925 continues into the beginning of 1926 as shown by the excess of public revenues over and above all estimates. From January indications the budget surplus for the full fiscal year will exceed 600,000,000 lira—which would be 200,000,000 more than the preceding year.

## Poland

**P**OLAND'S financial condition is improving. Authority for this statement is Dr. Kemmerer, noted economist, who went to Poland in December 1925, as financial adviser, at the invitation of the Polish Government.

Last fall when Poland's finances were in critical shape the London *Times* expressed its belief that the trouble arose "from failure properly to control the expansion of credit by banks and institutions other than the Polski Bank." That paper then predicted that external assistance would have to

be obtained sooner or later "even though it should involve a temporary measure of control."

This prediction has been confirmed by the appointment of Dr. Kemmerer as financial adviser and by the extension of external credits by American and English banks.

### *Dr. Kemmerer's Analysis*

After a month's residence in Poland Dr. Kemmerer reported himself as far more optimistic over Poland's financial outlook than he was on his arrival. In a cabled report to Dillon, Read & Co., New York, Dr. Kemmerer said, in part:

In 1924 and 1925 the Polish people overestimated their strength. Their ambitions were laudable, but they tried to do too much in a short time. There came the bad crops of last year, and the people remembering vividly the disasters of the long inflation period of the years immediately preceding, became nervous, lost confidence in the stability of the recently stabilized zloty, and plunged into a condition of what in America would be called a financial panic; and yet, aside from the disturbances to trade arising out of the controversy with Germany, there have been, during this period of crisis and subsequent depression, no unfavorable changes in the fundamental economic conditions of the country.

Last year's crops were good. For the last three months the country has had a strongly favorable trade balance which gives promise of continuing. The gold value of the zloty has been tending strongly upward since the low point of 10.50 to the dollar in the first part of December 1925. The purchasing power of the paper zloty in Poland is today relatively high as compared with its external purchasing power.

The Government's general policy so far announced and adopted of meeting the

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financial situation, I believe is eminently wise. The Government has cut its budget of expenditures for 1926 by approximately 500,000,000 zlotys, or about 25 per cent., as compared with the actual expenditures of 1925 and with the country's excellent system of monthly budgeting, there is good prospect for a balanced budget for the present year.

The Bank of Poland reserve requirements are in my judgment altogether too rigid. A reserve is to be used and not merely to be looked at and this is particularly true in time of emergency. I believe that it will be desirable when conditions become more stable to revise in several respects the present statutes governing the Bank of Poland and in particular the provisions concerning reserve requirements.

Under the vigorous policy of retrenchment in public expenditures recently adopted by the Government, financial conditions in Poland are improving. The prospects, therefore, seem good that Poland's financial credit, both at home and abroad, will improve as the Government's present financial program is carried through. Improved credit based on sound financial progress means facilities for obtaining foreign loans,

both Government and private, which Poland needs for her economic advancement.

### *Polish Loan on Tobacco Monopoly*

Among the financial measures that have been considered for rehabilitation of French finances the leasing of the French tobacco monopoly has been one. Poland has definitely acted on this plan and negotiations for a loan estimated between \$25,000,000 and \$50,000,000, have been based on the leasing of the Polish tobacco monopoly.

The Bankers Trust Company, Kuhn, Loeb & Co., and the Chase National Bank, all of New York, in co-operation with the American Tobacco Company are behind the loan project. The tobacco monopoly is said to have yielded around \$32,000,000 annually.

Poland's monopolies include rich properties and it was decided to make use of them when measures were necessary a year ago to stabilize exchange and increase gold reserves. In recent months the country has shown marked progress. Early last year \$35,000,000 of Polish Government bonds, part of an authorized issue of \$50,000,000,

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were floated in this market by Dillon, Read & Co.

*Bank of Poland Under Foreign Control*

Finance Minister Zdziewski has declared in a statement that the negotiations between an American banking group and the Bank of Poland have come to a satisfactory close, the American group giving a large credit to the bank secured by a lease of the Polish tobacco monopoly. The American banking group is headed by the Bankers Trust Company, New York. At the same time the Bank of Poland according to Polish newspapers, was forced to give up the majority of its common stock to English and American banking groups. Newspapers point out that this means that the official bank of Poland is now under foreign control. The Bank of Poland did not make public the name of the English and American banks that have the control over the majority of the bank's shares.

## Belgium

**B**ELGIUM'S efforts to gain currency stabilization are attracting considerable attention, especially in the financial centers of Europe. A special survey of this Belgian activity appeared recently in successive issues of the *Wall Street Journal* and from that paper the following is taken:

Finance Minister Janssen has based his Belgian currency stabilization plan on four measures, all of equal importance in upholding the structure. They are: (1) balanced 1926 budget, adding 500,000,000 francs to the nation's tax bill; (2) ratification of the Washington debt agreement; (3) \$150,000,000 stabilization loan; (4) revision of statutes of the National Bank of Belgium. The first three suffer in popularity because they add to the nation's fiscal burdens. Number four is a happy surprise to the public, since it uncovers important sources of revenue with nobody the worse off for them except perhaps a few public spirited shareholders.

Under the proposed bill, the National Bank of Belgium will increase its capital from 50,000,000 francs to 200,000,000 francs, by (1) transferring to capital account 50,000,000 francs of its present reserves; (2) by revaluation of property to the extent of 50,000,000 francs, and (3) by issue of 50,000 new shares at 1500 francs each, the premium of 25,000,000 francs going to constitute a new reserve. Such reorganization merely places the bank in line with Belgian corporations which long ago took account of the depreciation of the franc.

Present stockholders of the bank will receive three new shares for one old share, currently quoted on the Brussels boerse around 5500 francs. Newly created shares for subscription will be inscribed and will be reserved for such public organizations as the National Savings Bank, the Communal Credit Bank, the National Widows and Orphans Fund, etc. They may not be transferred without permission of the bank's directors.

Present reserves of the National Bank of Belgium are listed:

|                        | Francs      |
|------------------------|-------------|
| Gold .....             | 273,853,000 |
| Exchange .....         | 30,223,000  |
| Silver and coins ..... | 91,337,000  |

The bill under consideration will multiply gold and exchange reserves by a coefficient in relation to the stabilization point, presumably four. In the third term of the reserve, silver amounts to about 60,000,000 francs nominal value, and bank authorities believe sale of this metal will net them

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30,000,000 francs in gold, or about 120,000,000 francs under the new valuation. After reorganization, total reserves of the national bank will thus approximate 1,400,000,000 francs—the difference between which and the old reserve must, however, be credited to account of the State in reimbursement of a corresponding amount—969,510,000 francs—of bank advances. This operation amounts to an equivalent loss to stockholders of net assets of the organization, which they are, apparently, willing to bear in exchange for prolongation of the charter.

### *Belgium Withdraws from Monetary Union*

Belgium's announcement at the beginning of the year of her withdrawal from the Latin Monetary Union attracted considerable attention, particularly because of the relationship that has existed between the Belgian and French currencies.

The significance of Belgium's decision is commented on by the *Journal of Commerce* in the following editorial:

Belgium's resolve to withdraw from the Latin Monetary Union at the end of the present year is one of those "symbolic gestures" which Europeans delight to make and

love to talk about. The announcement has no immediate practical significance, but it affords fresh evidence of Belgium's desire to eliminate the outlived vestiges of the once intimate bonds that existed between the French and Belgian currencies.

Although the war-time inflation with its paper currencies suspended the operation of the monetary union, the Belgian franc continued until very recently to follow the fortunes of the French currency. With Belgian stabilization definitely in prospect and the French financial position steadily deteriorating the connection between the two currencies, which for a considerable time depended upon psychological as well as material factors, has been completely severed. For the time being the Belgians are eager to emphasize the fact. It enhances their credit with the outside world.

In any case, the Latin Monetary Union is an outworn piece of machinery as it stands. The nations which were a party to it will be forced to stabilize their currencies at widely varying rates and their valuation units will be correspondingly different. Eventually the need for some sort of international standardization and interchange of these heterogeneous currencies will again be regarded as imperative. Agreement must, however, wait upon the execution of



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currency reforms and when the time comes to establish another monetary union in Europe it will necessarily differ in scope and vary widely in detail from the super-seded arrangement of pre-war days.



### International Banking Notes

The statement of the Westminster Bank Limited, London, for the year ended December 31, 1925, shows a net profit, after providing for all expenses and including the sum of £594,095 brought forward from previous account, of £2,799,488. Of this amount dividends at the rate of 20 per cent. on the £20 shares, and 12½ per cent. on the £1 shares absorbed £1,319,045. The sum of £150,000 was transferred to bank premises account, £100,000 to contingent fund, and £200,000 to officers' pension fund. The sum of £572,878 was set aside to provide for the allotment of holders of £20 shares on the register on February 11, 1926, one fully paid £1 share (ranking for dividend with the existing £1 share as of December 31, 1925), in respect of every five £20 shares held, and to make in the case of fractions a payment of 10s in respect to each fraction of 1/5 of a £1 share, also to add to the reserve fund a sum equal to the nominal capital of the shares to be allotted, £268,439. The balance of £457,565 has been carried forward to next account.

A comparative statement of net profit follows:

|   | 1925             | 1924             |
|---|------------------|------------------|
|   | £                | £                |
| Net profit .....  | 2,205,392        | 2,013,501        |
| Brought forward .....   | 594,095          | 568,479          |
| <b>Total available .....</b>  | <b>2,799,487</b> | <b>2,581,981</b> |
| Dividends .....   | 1,319,045        | 1,287,886        |
| (20 per cent. on £20 shares)<br>(12½ per cent. on £1 shares)  |                  |                  |
| Bank premises account .....   | 150,000          | 100,000          |
| Re-building account .....   | Nil              | 300,000          |
| Contingent fund .....   | 100,000          | 200,000          |
| Officers' pension fund .....  | 200,000          | 100,000          |
| Provision for the allotment<br>of £1 fully-paid shares, of<br>fractional payments in cash,<br>and addition to reserve<br>fund ..... | 572,878          | Nil              |
| Carried forward .....   | 457,564          | 694,095          |
|   | <b>2,799,487</b> | <b>2,581,981</b> |



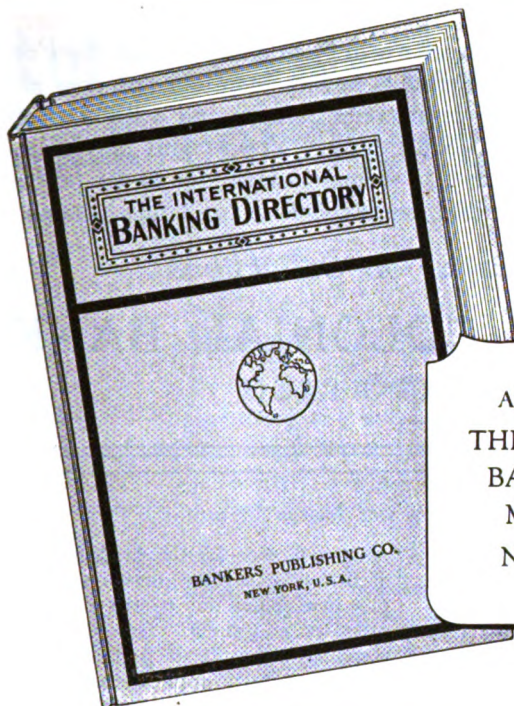
The seventy-fifth report of the Royal Bank of Australia, Limited, Melbourne, Victoria, for the half-year ended September 31, 1925, shows a net profit of £48,170. This sum has been disposed of as follows:

|   | £      |
|---|--------|
| To a dividend at the rate of 10 per cent. per annum .....   | 37,500 |
| To reserve fund (bringing it to £30,000) .....  | 10,000 |
| Carried forward to next account (making with the amount brought forward from previous half year a total of £32,567) ..... | 670    |



The statement of Lloyds Bank Limited, London, for the year ended December 31, 1925, shows a net profit, after providing for all expenses, and including £516,351 brought forward from previous account, of £3,085,717. Out of this amount an interim dividend at the rate of 1s. 8d. per share, being at the rate of 16-2/3 per cent. per annum, was paid for the half-year ended June 30, amounting, less income tax, to £943,225. The sum of £400,000 has been placed to staff

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superannuation fund, and £250,000 has been allotted to bank premises account. Out of the balance of £1,492,492 a dividend at the same rate as above has been declared for the final half-year, amounting, less income tax, to £958,197 and leaving £534,295 to be carried forward to next account.

A comparative statement of net profit follows:

|                                       | 1925      | 1924      |
|---------------------------------------|-----------|-----------|
|                                       | £         | £         |
| Profit .....                          | 2,569,366 | 2,468,934 |
| Brought forward .....                 | 516,351   | 503,923   |
| Total available .....                 | 3,085,717 | 2,972,857 |
| Dividend (16-2/3 per cent.) .....     | 1,901,422 | 1,856,506 |
| Staff superannuation fund .....       | 400,000   | 250,000   |
| Staff widows' and orphans' fund ..... | (note)    | 100,000   |
| Bank premises account .....           | 250,000   | 250,000   |
| Carried forward .....                 | 534,295   | 516,351   |

(Note): On this occasion the bank's contribution to the staff widows' and orphans' fund has been made before arriving at profits.

Illness has compelled the retirement of W. W. Paine from the position of joint general manager of the bank. At the annual meeting of the bank's directors Mr. Paine was elected to a seat on the board.

○

The statement of Barclays Bank Limited, London, for the year ended December 31,

1925, shows a net profit, after providing for all expenses, and including the sum of £520,536 brought forward from previous account, of £2,810,372. This sum has been disposed of as follows:

|   | £       |
|---|---------|
| To contingency account .....  | 500,000 |
| To reduction of premises account .....  | 150,000 |
| To interim dividend paid August 1, 1925, at the rate of 10 per cent. per annum on the "A" shares of £4 each fully paid, and 14 per cent. per annum on the "B" and "C" shares of £1 each fully paid, less income tax ..... | 805,501 |
| To a final dividend at the rate of 10 per cent. per annum on the "A" shares of £4 each fully paid and 14 per cent. per annum on the "B" and "C" shares of £1 each fully paid, less income tax .....                       | 818,287 |
| Carried forward to next account .....   | 536,584 |

The reserve fund of the bank has been increased to £9,250,000 by the transfer of £1,000,000 out of profits realized on investments. During the year 1925 the foreign and colonial business of Barclays Bank Limited was extended through the Colonial Bank which has been incorporated by an Act of Parliament and has changed its name to Barclays Bank (Dominion, Colonial and Overseas). This latter bank has acquired the business of the Anglo-Egyptian Bank Limited, and arrangements are being brought to conclusion for the

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## AMERICAN COLONIAL BANK OF PORTO RICO

inclusion of the business of the National Bank of South Africa Limited.

A bank registered under Italian law as a Societa Anonima Italiana has also been established in Rome under the title of Barclays Bank S. A. I.

Edmund H. Parker has retired from the office of vice-chairman of the bank but retains his seat at the board and will continue to act as director at Cambridge. W. Favill Tuke has retired from the position of general manager of the bank and has been elected vice-chairman of the board, succeeding Mr. Parker. Frederick William Griggs and Henry Thomas Mitchell have been appointed additional general managers and Percy C. Harte has been appointed treasurer of the bank.

⊙

The statement of the Ionian Bank Limited, London, for the year ended August 31, 1925, shows a net profit, after providing for all expenses and including a balance of £12,640 brought forward from previous account, of £82,039. Out of this amount an interim dividend for the year at the rate of 3s. per share was paid June 2, 1925 absorbing £14,567. The amount remaining, £67,472, has been disposed of as follows:

|   | £      |
|---|--------|
| To a final dividend for the year 1925 at the rate of 3s per share ..... | 14,567 |
| To a bonus at 2s per share .....  | 9,711  |
| Transferred to reserve fund, bringing the fund to £220,000 .....        | 30,000 |
| Carried forward to next account .....                                   | 13,193 |

The bank premises account was increased during the year to £155,186 by the purchase of a building on a plot of land in

Athens, Greece for the further development of that office, by the purchase of a building plot in Salonica and by the erection of new premises at Candia. The sum of £10,000, standing to credit of premises redemption fund, has been applied to writing down bank premises account, which now stands at £145,186.

Directors of the Ionian Bank Limited have recommended the increase of the capital of the company to £1,000,000 by the creation of 80,000 new shares of £5 each, but it is not the intention of the directors to make any immediate new issue.

⊙

The statement of the District Bank Limited, Manchester, for the year ended December 31, 1925, shows a net profit, after providing for all expenses and including the amount of £309,313 brought forward from previous account, of £768,306. Out of this amount an interim dividend at the rate of 18-1/3 per cent. per annum has been paid for the year ended June 30, 1925 absorbing £173,800. A dividend for the final half-year at the same rate has been recommended absorbing the further sum of £173,800 and leaving a balance of £420,706 which has been disposed of as follows:

|                                       | £       |
|---------------------------------------|---------|
| To pensions and annuity fund .....    | 40,000  |
| To reserve fund .....                 | 100,000 |
| Carried forward to next account ..... | 280,706 |

⊙

The statement of the Commercial Bank of Scotland Limited, Edinburgh, for the year ended October 31, 1925, shows a net profit, after providing for all expenses,

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and including the sum of £72,587 brought forward from previous account, of £407,484. Out of this amount the payment of a half-yearly dividend on the "A" shares at the rate of 16 per cent. per annum, less income tax, absorbed £77,868 and a dividend on the "B" shares at the rate of 10 per cent. per annum, absorbed £19,467. The balance remaining has been disposed of as follows:

|   | £      |
|---|--------|
| To a dividend for the final half-year on the "A" shares at the rate of 16 per cent. per annum, less income tax..... | 80,000 |
| To a dividend on the "B" shares at the rate of 10 per cent. per annum, less income tax.....                         | 20,000 |
| To reserve fund.....  | 50,000 |
| To officers' pension fund.....  | 35,000 |
| To reduction of bank premises.....  | 50,000 |
| Carried forward to next account.....  | 75,148 |

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In the November, 1925 issue of THE BANKERS MAGAZINE, on page 777, there appeared a statement to the effect that the Anglo-American Securities Corporation of New York was affiliated with the Anglo-American Bank of Greece. This statement is erroneous. The Anglo-American Securities Corporation is not, and never was, an affiliated company of the Anglo-American

Bank of Greece, but is an entirely independent organization.

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The statement of the Munster and Leinster Bank Limited, Cork, for the half-year ended December 31, 1925, shows a net profit, after providing for all expenses and including the sum of £47,030 brought forward from previous account, of £140,441. This sum has been disposed of as follows:

|   | £      |
|---|--------|
| To payment of a half-yearly dividend at the rate of 18 per cent. per annum, free of income tax..... | 45,000 |
| To reserve fund.....  | 35,000 |
| To reduction of premises account.....   | 10,000 |
| Carried forward to next account.....  | 50,441 |

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The statement of the Bank of Liverpool and Martins Limited, Liverpool, for the year ended December 31, 1925, shows a net profit, after providing for all expenses and including the balance of £141,862 brought forward from previous account, of £714,178. This sum has been disposed of as follows:

|  | £       |
|--|---------|
| To reserve fund.....   | 150,000 |
| To bank premises account.....  | 50,000  |
| To payment of two half-yearly dividends at the rate of 8 per cent. per annum (making 16 per cent. for the year)..... | 375,822 |
| Carried forward to next account.....   | 138,356 |



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**SYDNEY HENRY LOGAN**

**New general manager Canadian Bank of Commerce, Toronto, Canada**

**W**ITH Sir John Aird, president of the Canadian Bank of Commerce, Toronto, stepping out of the general manager-ship, Sydney H. Logan has been appointed to that position. Since the death of Sir Edmund Walker, Sir John has been carrying the responsibilities of both positions. Mr. Logan has been holding the position of first agent of the bank in New York City. He is a native of Nova Scotia, born April 24, 1881, and educated at the Springhill high school. He entered the service of the Halifax Banking Company at Springhill, N. S., on August 10, 1897, and was with that bank when it was amalgamated with the Canadian Bank of Commerce in 1903. He thus entered the service of the Canadian Bank of Commerce on June 1, 1903, as teller at the New Glasgow branch. Immediately after the amalgamation he was moved to Warton, Ontario, as accountant. In September 1905, he was sent to the Cobalt branch, of which he was subsequently appointed manager. In 1909, he opened branches at Gowganda and other mining centers, afterwards returning to Cobalt, remaining there as manager until August 1913, when he was moved to St. John's Newfoundland. In 1917, he was placed in charge of the foreign business of the bank at head office and for practically three years traveled a great part of the world in the interest of the bank. He visited Australia, New Zealand, China, Japan, South America and continental Europe, and in November 1923, he was sent to New York as first agent. Mr. Logan is the third general manager to be chosen from the New York agency, Sir Edmund Walker and Alexander Laird being the other two.

# Is the New McFadden Bill Fair to State Banks ?

By J. F. Sartori

President Security Trust and Savings Bank, Los Angeles

**I**N the December number of *THE BANKERS MAGAZINE*, Congressman L. T. McFadden, Chairman of the House Committee on Banking and Currency, renewed his advocacy of the new McFadden Bill. It seems worth while to subject to analysis certain of the views therein expressed.

So far as state banks are concerned, they are primarily interested in Section 9 of the bill, which would restrict future branches of state bank members to the city of the head office. With respect to those provisions of the bill which have in mind the extension of the powers of national banks, I believe nowhere in the record is there any evidence that the state banks have opposed the granting to national banks of rights which will put them more nearly on a basis of equality in competition with state bank members. State banks do not object to the extension of the charters of national banks nor to a proper extension of the right of national banks to lend on real estate nor to legalization of the investment business which has long been carried on by national banks.

Judged from the standpoint of their own experience in lending on real estate, there may be some question as to whether or not the provisions of the McFadden Bill are properly drawn, but that is a question for the national banks to determine for themselves. A more thoroughgoing recognition of the fact that national banks are no longer purely commercial banks and that savings deposits in national banks are not and should not be payable upon demand, and therefore may be safely loaned in a large measure on real estate, is a distinct advantage over the present situation. If there were a complete segregation of the savings deposits from commercial deposits and the granting of a first lien to the savings depositors upon the segregated assets of this savings department, there would be a far better protection to the savings depositors.

Considerable opposition developed at the last session of Congress to those sections

of the bill dealing with the increased lending power of national banks, and that same opposition may be expected to develop again, as the new McFadden Bill contains substantially the provisions of the original McFadden Bill.

So far as the branch banking provisions of the bill are concerned, there is no objection on the part of state banks engaged in branch banking to that part of Section 8 which would grant to national banks the right to have city branches. There may well be a question as to the wisdom of attempting to limit the branch banking rights of national banks in the future to those states which at the time of the passage of the act permit state banks to have branches, but this again is a concern of the national banks rather than of the state banks. State banks, however, do object to Section 9 of the bill, which would limit state bank members to city branches, even in those states which permit statewide branch banking.

## *The Opposition to Section 9*

Mr. McFadden alleges in his article that the opposition to Section 9 "comes from a small group of state branch banking systems and their sympathizers." There are eight states in the United States which permit statewide branch banking and the opposition of the state bank members in these states can scarcely be properly characterized as "small." Moreover the Federal Reserve Board has at last taken a positive stand with respect to Section 9 and other sections of the bill, has demanded hearings and is reported to have in mind the introduction of amendments on the floor of the House, if satisfactory amendments cannot be secured before the House Committee.

At the last session of Congress the National Association of State Bank Supervisors took a very active part in opposing the McFadden Bill and this opposition has been renewed against the branch banking provisions of the new McFadden Bill. This association realizes fully the menace to the integrity of the state banking systems involved in Section 9 of the bill. Practically

all the state bank members joined the Federal Reserve System since the adoption of that part of Section 9 of the Federal Reserve Act which assures to state bank members the exercise of their statutory and charter rights. The purpose of Section 9 is to take away from certain state bank members the right to exercise one of their statutory and charter rights. It is quite clear that if Congress, in order to aid the national banking system, may limit the statutory and charter rights of certain state bank members, and a precedent is set in doing so through Section 9, there is no real security for state banks that are members of the Federal Reserve System. The questions raised by the McFadden Bill have gone far beyond the narrow limits of a few statewide branch banking systems and have involved potentially the more than 20,000 state banks in the country.

Congressman McFadden bespeaks support for his bill on the ground that it is an emergency measure, and on this ground seeks to counter the growing sentiment in behalf of a thoroughgoing investigation of our banking system. He admits that his bill is not based upon a scientific study of the needs of our banking system, but urges its passage on the ground of the need of saving the national banking system.

#### *Does the Emergency Justify the Remedy?*

Senator Glass, a member of the Senate Committee on Banking and Currency and admittedly one of the best informed men in Congress on banking subjects, effectively answered this cry for hurried legislation when he declared last winter at the hearings before the Senate Committee that he had been hearing this same cry for many years past. There is no real emergency which can call for an action by Congress so unjust to state bank members as is Section 9. Mr. McFadden himself discloses the weakness of this position, so far as Section 9 is concerned, when he says that "the emergency which the national banks, as a system, face today is due to lack of the charter powers to meet the requirements of modern economic conditions in industry and commerce." Section 9 certainly does not add anything to the charter powers of national banks. In no way does it supply the deficiency under which national banks are laboring, but it does contemplate taking away from state member banks a right assured to them under the Federal Reserve Act when they became members, a right which does enable them "to meet the requirements of modern economic conditions in industry and commerce."

#### *Does Section 9 Remedy the Situation?*

If national banks are converting into state banks because of the branch banking rights enjoyed by state banks, Section 9 will not remedy the situation in the eight states where statewide branch banking prevails. In the first place, the grant to national banks in those states of the right to have city branches will not equalize the competition because a number of the state bank members of the Federal Reserve System in those states already have widely extended branch banking systems and they will be permitted to retain their present branches. Section 9, therefore, is not only unjust in changing the fundamental conditions under which these state banks became members of the Federal Reserve System, but it will also prove futile in bringing about an equality of competition whereby the national banks would be protected. In California, for example, there are state banks engaged in branch banking, not members of the Federal Reserve System, with total resources of approximately \$750,000,000. Should Section 9 become law these banks will see a golden opportunity for themselves to extend their branch banking operations throughout the state, unhindered by the McFadden Bill, while their competitors, both national bank and state bank members, will be limited in their future branch banking operations to the cities. If this sort of competition has been forcing national banks to convert into state banks, it may reasonably be supposed that it will force state bank members to withdraw from the Federal Reserve System. The net result will be to increase the competition for national banks, to weaken the Federal Reserve System through the withdrawal of state member banks engaged in branch banking, and to discourage other state banks, whether engaged in branch banking or not, from joining the system. For more than two years the McFadden Bill has been pushed on the ground that it is necessary to save the national banking system and the Federal Reserve System. A very complete and scientific investigation of our banking system could easily have been completed within that period and we would then have had the basis for sound, constructive legislation. Until such an investigation takes place we can have at best such unsatisfactory proposals as those contained in the McFadden Bill.

#### *Emergency Lies in Bank Failures*

A most serious situation has persisted in the United States during the last five years, as revealed by the fact that more than 2000 unit banks have failed during

that period and failures are continuing at the rate of about two for every business day. If there is any emergency in the country it is to be found in the number of failures of banks. If the McFadden Bill is an emergency measure it is strange that there is no provision in it designed to remedy this very serious situation. Nowhere in the bill are there any provisions designed to prevent the continuance of this deplorable condition. Nowhere in it are there provisions for increasing the soundness of operations of the national banks or the safety of depositors. Nowhere is there any provision for larger capitali-

zation of national banks, and it is patent that most of the failures have been of small banks inadequately capitalized. Nowhere is there a provision requiring an increase of capital as deposits increase. In short, it is no real emergency measure, designed to meet the real situation. One is forced to the conclusion that it is an ill-advised effort on the part of its proponents to secure what seems to them a temporary advantage for the national banking system, even though in doing so they injure the Federal Reserve System and greatly enhance the possible opposition to a rechartering of the Federal Reserve Banks.



## Brokers Loan Figures to be Published

LATE in January, Governor Crissinger of the Federal Reserve Board requested the Federal Reserve Bank of New York to ask its member banks in New York City to include in their weekly reports, the amounts of money loaned to brokers secured by stocks and bonds. These reports are to be separated into time and demand loans, for the member bank's own account, for the account of out-of-town banks, and for the account of others. At the same time, it was announced that the members of the New York Stock Exchange would report to the exchange their outstanding time and call loans as of the close of business of the last day of each month, and the total figures would be published, to give the loan figures from the borrowers' standpoint as well as the lenders'.

The letter from Governor Crissinger said that the compilation is to be made in the belief that "a better understanding of the movements in the money market and of developments in the general credit situation will be promoted . . . . and publication of this additional information will be helpful to the banks and to the public as well as to the Federal Reserve Board." It is thought by some that it is a measure toward stabilizing the call loan rates, substantially the same figures having been compiled from 1918 to 1921 by the Federal Reserve Bank of New York (although they were only published for one week) first "to limit the use of money on the stock exchange during the war," and later to see that enough money was available on the exchange so

that the rates would not go so high as to cause a panic. More likely it is for the Federal Reserve Board to ascertain to how great an extent funds are being used on the stock exchange, as a guide to future discount policy.

The compiling of the figures began with the January 6, 1926 report, but publication was not begun until the issue of the February *Federal Reserve Bulletin*, so that at the time of going to press the figures were not available.

The figures compiled by the New York Stock Exchange, however, were published early in February, and showed a much larger total outstanding than was expected. The total amount was \$3,513,174,154, of which 71 per cent., or \$2,516,960,500 was call loans, and 29 per cent. or \$996,213,555, time loans. Private estimates had placed the figure at from \$2,200,000,000 to \$2,500,000,000.

While the present reporting of figures is for New York City only, the board intends to extend it to other cities. The figures will be eagerly received by economists and students of banking. They will, at least, enable a statistical verification of the charge that high money rates draw money from the agricultural sections to New York, to which the counter reply is that the high rates are due to the fact that money is going from New York to the agricultural section, thus causing a shortage. And, watched, they will help to give warning when speculation on the stock exchange reaches the danger point.





The Farmers National Bank, Reading, Pa., showing between the pillars and above the entrance, Robert Aitken's design symbolizing "the bank with the lions"



The sculptured figures on the wall of the main lobby of the Seaboard National Bank, New York, commemorating America's great wars for independence and democracy

## Bankers and the Fine Arts

By Alfred C. Bossom

**A**RT, an integral part of our modern life, cannot but belong to that motivator of humanity—the bank. Hence its building should be embellished and invested with all that makes for beauty and order. Finance and the fine arts are allies.

This relationship is revealed in every bank structure of importance. What could be more artistic than the settings of many branches of the great Bank of France, which serves one of the thriftiest races in the world, and also one of the most artistic. Palaces and hotels with a notable history and decorated with consummate artistry become the fitting abiding places of the cosmos of economy, exemplars of a well ordered philosophy of life.

One of the most ornate buildings of continental Europe is the General Credit Bank of Hungary, which in every line kindles the imagination. The graceful architecture; the statues which appear on its facade, such as the virile representation of Mercury, god of commerce and wealth; the effigies which tell the story of transporta-

tion all convey an air of fitness, power and progress.

Every bank, if it would exemplify its ideals, should have art works created especially for it, just as the sculptured clock in this Hungarian bank mentioned, the paintings on its walls, and the finely wrought grille work in its foyer, proclaim its character. Works of art are effective because they are suited to their settings; they cannot be taken from one environment and hurled into another.

### *Exemplifying Banks' Ideals in Their Buildings*

There are two sculptures on the inner walls of the Seaboard National Bank, New York, which have been commented upon most favorably. One is the figure of a Revolutionary soldier of the type which appeared constantly during the American struggle for independence in the historic neighborhood in which this institution stands. The other figure commemorating the World War is that of Sergeant Yorke, a



The building of the Fidelity Bank, Houston, Texas, designed with the Mayan motif to express power with a decorative quality, not meticulous ornament



Directors' room, First National Bank of Jersey City, N. J., where modern marble and ancient tapestries are combined to create the atmosphere desired by bankers

hero of the European battlefields, who symbolizes the spirit of fighting democracy.

In the flourishing city of Reading, Pa., a new building is being erected for the Farmers National Bank under the supervision of the writer as architect. Robert Aitken, the famous American sculptor, has been retained to model a panel to be placed above its entrance. He might have modeled for it a figure on the lines of his majestic statue representing the Mississippi river, and as it resembles Mercury and even bears the double caduceus, an emblem often used to symbolize both finance and commerce, the casual observer might approve it. It is well known, however, that for more than a century this solid and conservative institution has been known as "the bank with the lions," because of two figures which have stood at its portals in a period reaching over a large part of a century. Hence a design showing that characteristic was naturally suggested.

There has been completed in Buffalo recently the twenty-three story structure of the Liberty Bank, in the foyer of which appears a Statue of Liberty, modeled for this institution by Leo Lentelli, the well known sculptor. For this bank to have

adopted the Bartholdi model, that of the memorial to international good will which stands in the harbor of New York, would have been meaningless. The figure chosen is instantly recognized as typical of the tall, athletic and vigorous young women of America and of northwestern New York state and of Canada. That image and also the two colossal ones from the same model which now surmount the twin towers, represent the American woman of today—coming more into new relationships to the practical life.

Every bank and trust company has traditions and ideals which it should express in art. The ceiling of a prominent bank in Pennsylvania, situated in a region enriched by the discovery of oil, bears a large central panel representing Colonel Drake who drilled the first oil well in the Keystone state and various allegorical figures symbolizing that mighty industry.

In designing that tall structure, the Petroleum Building in Houston, Texas, the writer sought to express the idea of power. The decorations of the Fidelity Bank in that building were designed also to express the same thought. Hence the choice of the Mayan motif—which has given a decorative

quality to the massive structure, not meticulous ornament.

One of the great lessons of the Exposition of the Arts of Decoration and Industries held in Paris recently, was that finance, commerce—business if you please—requires an artistic as well as an utilitarian expression.

In such a development as this the banks are taking leadership—as they certainly should. They are giving to the community those lofty emblems of power, truth and steadfastness of purpose. Their architecture should express such ideas in every plane and it generally does.

#### *Furniture and Equipment Can Help*

It is just as important that all the furniture and equipment of a bank should show dignity and refinement. If these adornments served only to impress upon the public the importance and dignity of banks as an institution, the sums expended in acquiring them would be well spent.

Keats' expression "A thing of beauty is a joy forever" is admirably applied to the splendid old tapestries which bankers and men of affairs use on the walls of their offices. Such art works "cannot fade" and more than that, they cannot decrease in value, if they have ordinary care.

Facilities for travel, and a growing appreciation of art everywhere, have made the financier a connoisseur as well. Bankers who have seen such objects in their travels and in their homes now are purchasing fine old furniture, objects of art of all kinds, tapestries. In fact, in a general way, it is safe to assume that many of the finest homes in the country are those of the bankers themselves. They have acquired the habit of comfortable association with objects of beauty made centuries ago, and they seem to miss these in their banking building. The result is that a great many bankers obtain for their board rooms and their private offices handsome cabinets, historical chairs, beautiful tapestries, fine ceramics. Such an atmosphere as these produce in the sanctum of the bank gives a home-like feeling which inspires the confidence of the visitors. Art is always a source of understanding.

The private offices of many of the greater national banks and trust companies in New York contain objects that might appropriately occupy a distinguished place in important museums. Wealthy private bankers are not lacking in this activity.

Men whose natural instincts make them interested in work of a certain era like to have examples of it around them in their hours of business as well as in their hours of ease.

#### *Artistic Furnishings a Good Investment*

They learn by experience that in doing this they are frequently making sound investments for the bank, instead of sinking money, as was so often the case in the latter Victorian days. How frequently can a beautiful Chippendale cabinet be obtained for almost the same price that a modern piece of work will cost? This is due to our present high price of labor, and yet, the moment a modern piece of work is installed, its commercial value, like the automobile, drops 50 per cent. Whereas, a fine old cabinet, beautiful table or historical chair are adding value to themselves quicker than money is earning interest in the loan department.

The reason for this is not far to seek. There is only a limited amount of such beautiful work that has come down to us, and literally daily it is getting less and less in quantity, and there is no competition among the best. Its price enhances regularly and steadily, and since the days when this country first started to purchase *objets d'art*, the increase in value of such pieces has multiplied beyond the wildest anticipation. Many years ago, a serious banker going around the auction room looking for antiques or going into the galleries of the leading dealers, was quite an unusual sight; it was his wife who used to be encountered. Now it is not at all unusual to see the president himself there or with some agent who may act for him to obtain the pieces he desires, both examining and listening to the bids, and wanting these objects not for his home but for that place where he spends about two-thirds of his waking moments, his bank.

When great collections of historical interest are brought here now, the bankers from the other large cities come to New York so as to obtain the means of beautifying the banking room or their quarters in the bank. The bankers in so doing are really acquiring property increasing in its value so much that it more than pays interest charges.

The banker, therefore, in cultivating the fine arts and providing a pleasing environment for the clients of the bank, is also in his way a most practical idealist.



# Some Bank Credit Problems

THE BANKERS MAGAZINE has secured the services of a capable credit man to answer the inquiries of readers on current problems of the credit manager. Questions of general interest to credit men and bankers will be answered and only the initials of the persons asking the question will be used. In case the question is not one of particular interest to bank credit men as a whole or is one which has been answered before, a reply will be made by mail.

In order that all questions may be answered intelligently, it is requested that they be direct and to the point, but that sufficient necessary detail be included to enable the editor to draw the proper conclusion. Inquiries should be addressed to the Editor, Bank Credit Problems, THE BANKERS MAGAZINE, 71-78 MURRAY STREET, New York.—EDITOR.

## Statement Analysis

(Continued from the January issue)

THE eleventh article of a series by the Credit Editor on credit and credit department methods. This article continues the discussion of analysis of financial statements, begun last month. The previous articles of the series, which began in the April 1925 issue, were of an introductory nature, explaining the various types of business organizations, and the statements issued by them.

IT is customary to compare receivables to sales in an endeavor to obtain an idea as to the company's collection policy. Assuming that the receivables on the books are \$600,000, and the sales shown for the year are \$3,600,000, the immediate deduction, which would naturally be made, is that receivables are one-sixth of the year's business (two months' outstandings). What are selling terms? Sixty days. The feeling is, therefore, that receivables are in good condition. They may be and they may not. This point is borne out by the following examination of monthly sales record:

(000 omitted)

|                 | A       | B       | C       |
|-----------------|---------|---------|---------|
|                 | Sales   | Sales   | Sales   |
| January .....   | \$ 300  | \$ 600  | \$ 100  |
| February .....  | 300     | 600     | 100     |
| March .....     | 300     | 200     | 200     |
| April .....     | 300     | 200     | 200     |
| May .....       | 300     | 100     | 600     |
| June .....      | 300     | 100     | 600     |
| July .....      | 300     | 600     | 100     |
| August .....    | 300     | 600     | 100     |
| September ..... | 300     | 200     | 200     |
| October .....   | 300     | 200     | 200     |
| November .....  | 300     | 100     | 600     |
| December .....  | 300     | 100     | 600     |
|                 | <hr/>   | <hr/>   | <hr/>   |
|                 | \$3,600 | \$3,600 | \$3,600 |

In the case of A above, is shown a company that does an even volume of business throughout the year. Seasonal fluctuations do not enter into the business to any appreciable extent, and the receivables on statement date of \$600,000, contrasted to sales for the year of \$3,600,000 (selling terms sixty days) would seem to indicate a good collection policy on the part of the company.

In case B above, the volume is the same, \$3,600,000, and outstandings December 31, are \$600,000, with selling terms of sixty days. However, the monthly analysis of sales shows that outstandings December 31, of \$600,000, are equal to September, October, November and December sales. It is not likely that all sales for these months remain uncollected as of December 31, and, therefore, the outstandings undoubtedly include some receivables older than September. With selling terms of only sixty days this indicates a very weak collection policy, and apparently a poor class of customers; or an accumulation of old bad debts that have never been charged off, or both.

In the case of C above, there is still the volume of \$3,600,000, outstandings December 31, \$600,000, selling terms sixty days. Sales for December alone amounted to \$600,000. In the case of C, if the balance sheet of December 31 showed outstandings of \$1,200,000, sales \$3,600,000, and selling terms of sixty days, even though receivables outstanding would appear to represent four months' business, it is evident that they would actually be only equivalent to November and December sales.

These cases are given in an effort to show that a mere comparison of receivables to sales and selling terms tells nothing, but

*The latest*  
**FINANCIAL  
 STATEMENT**  
*of New England's largest bank*  
*as of December 31, 1925*



**RESOURCES**

|   |                                |
|---|--------------------------------|
| Cash and Due from Banks .....                     | \$79,202,685.63                |
| United States Securities .....                    | 16,947,817.37                  |
| Loans, Discounts & Investments .....              | 276,134,306.58                 |
| Banking Houses .....                              | 9,758,955.74                   |
| Customers' Liability Account of Acceptances ..... | 19,869,721.84                  |
| Accrued Interest Receivable .....                 | 911,939.08                     |
| Items in Transit with Foreign Branches .....      | 155,318.43                     |
| <b>T o t a l</b>                                  | <b><u>\$402,980,744.67</u></b> |

**LIABILITIES**

|  |                 |                                |
|--|-----------------|--------------------------------|
| Capital .....  | \$20,000,000.00 |                                |
| Surplus & Profits .....  | 23,867,555.28   | \$43,867,555.28                |
| Reserved for Dividend Payable January 2, 1926 .....                              |                 | 800,000.00                     |
| Reserved for Interest and Unearned Discount .....                                |                 | 2,113,040.03                   |
| Deposits .....   |                 | 303,224,810.45                 |
| Liability as Acceptor, Endorser, or Maker on Acceptances and Foreign Bills ..... | 40,300,338.91   |                                |
| Bills Payable .....  | 12,675,000.00   |                                |
| <b>T o t a l</b>   |                 | <b><u>\$402,980,744.67</u></b> |

*The* **FIRST**  
**NATIONAL BANK of**  
**BOSTON**

1784 :: :: 1926

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*Foreign Branches*  
 BUENOS AIRES AND HAVANA

*European Representative*  
 24, OLD BROAD STREET, LONDON, E. C. 3

that consideration must be given to the seasonal variations of the business. Few lines of business are unaffected by the seasonal phase. Most companies make statements when they consider receivables and merchandise (and naturally debts) are at their lowest point. These examples clearly indicate that regardless of whether the comparison of receivables to sales would tend to show a good or bad collection policy, or a good or bad condition of receivables, the actual condition may be reversed in either instance. Therefore, it is evident that it is always desirable to have a classification of receivables as to age to support any deduction which may be made from the balance sheet by a comparison of receivables with sales. A classification such as the following, which in the cases of A, B and C above, might summarize as follows, is drawn up roughly to convey some idea:

(000 omitted)

|                              | A     | B     | C     |
|------------------------------|-------|-------|-------|
| Sixty days or under.....     | \$550 | \$190 | \$580 |
| Sixty-one to ninety days.... | 30    | 110   | 10    |
| Ninety-one to 120 days.....  | 10    | 75    | 7.5   |
| Four to six months old.....  | 5     | 25    | 0     |
| Six to nine months old.....  | 5     | 25    | 2.5   |
| Over nine months old.....    | 0     | 175   | 0     |
|                              | <hr/> | <hr/> | <hr/> |
|                              | \$600 | \$600 | \$600 |

In forming a schedule of classification the terms of sale should be considered in arriving at the base. For example, if selling terms were ten days, the above schedule of classification would not be included.

*Merchandise*

Merchandise is also compared with sales to obtain an idea of turnover policy. Let us assume the same volume of sales, \$3,600,000, and an inventory December 31, of \$600,000. In comparing inventory with sales, however, it must be remembered that inventory is taken on the basis of cost or market, whichever is lower, while sales represent the sale of merchandise at cost plus gross profit. Therefore, in comparing merchandise with sales, to arrive at an idea of the number of months' supply of merchandise on hand, the gross profit must be deducted from sales. Assume that the gross profit in this instance is 50 per cent. of sales, or \$1,200,000, on the volume of \$3,600,000. This means that the actual cost of merchandise sold amounted to \$2,400,000, which gives us a figure to compare with the inventory on hand shown in the balance sheet. If this

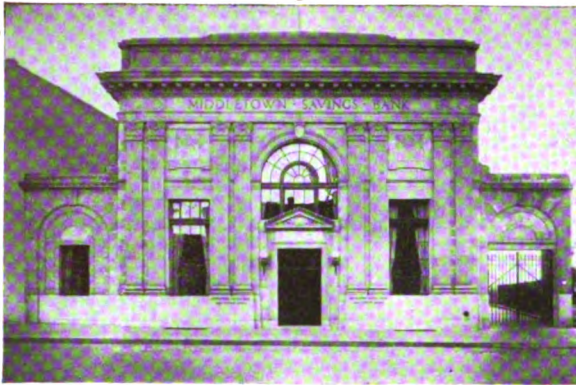
is not exactly clear, perhaps it will be more so if it is considered the other way around. In other words, the merchandise shown is presumably at cost or market, whichever is lower. It is intended that it be sold at a profit, and it is marked up 50 per cent. which is the selling price. The sales shown in the profit and loss figures for the year (also the receivables) are based on the actual selling prices, and as it is desired to get an idea of the number of months' supply of merchandise on hand, this profit must be deducted from sales to get an amount which is comparable with the merchandise inventory. Therefore, with an inventory of \$600,000 on December 31, sales \$3,600,000, gross profit 50 per cent. (\$1,200,000), an inventory, is arrived at which would appear equal to about three months' supply. However, let us take the same example as was taken in receivables, but rather than consider the actual sales, take merchandise sales for the months at the actual cost value of the merchandise sold and not at the selling price.

(Last three figures omitted)

|                 | A        | B        | C        |
|-----------------|----------|----------|----------|
|                 | Sales    | Sales    | Sales    |
|                 | at cost  | at cost  | at cost  |
|                 | of mdse. | of mdse. | of mdse. |
| January .....   | \$ 200   | \$ 400   | \$ 66    |
| February .....  | 200      | 400      | 66       |
| March .....     | 200      | 133      | 133      |
| April .....     | 200      | 133      | 133      |
| May .....       | 200      | 66       | 400      |
| June .....      | 200      | 66       | 400      |
| July .....      | 200      | 400      | 66       |
| August .....    | 200      | 400      | 66       |
| September ..... | 200      | 133      | 133      |
| October .....   | 200      | 133      | 133      |
| November .....  | 200      | 66       | 400      |
| December .....  | 200      | 66       | 400      |
|                 | <hr/>    | <hr/>    | <hr/>    |
|                 | \$2,400  | \$2,400  | \$2,400  |
| Profit (50%)    | 1,200    | 1,200    | 1,200    |
|                 | <hr/>    | <hr/>    | <hr/>    |
|                 | \$3,600  | \$3,600  | \$3,600  |

In connection with the foregoing, deductions are arrived at which do not support the comparison made between merchandise shown on the balance sheet and the volume of business. In the case of A, merchandise on hand, December 31, \$600,000, would appear equivalent to about three months' business. In the case of B, merchandise on hand, December 31, \$600,000, is sufficient for only January, and a portion of February sales. In the case of C, merchandise is sufficient for January, February, March, April, and a part of May sales. It is, therefore, evident that in comparing mer-





THE building of the Middletown Savings Bank, Middletown, N. Y. is carried out in modified Italian Renaissance style, the facade being built of Bedford Indiana Limestone with granite base. There is a twelve foot wing on one side which is balanced by the entrance gate on the opposite side.

ENTERING the building a ladies' room is located directly to the left. The officers' space is also located near the front so as to be equally accessible to the public and the employees.



THE new building of the Middletown Savings Bank, Middletown, N. Y. combines beauty of architectural design with practical utility. The bank is so arranged as to give to its patrons the highest type of modern banking service.

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*Specialists in Bank Architecture*

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(000 omitted)

| Departments | Three departments with<br>December 31st inventory<br>as follows | Sales to show turn-<br>over of four times<br>would have to be | But they could be<br>reversed and line<br>up as follows |
|-------------|---|---|---|
| A           | \$300   | \$1,200   | \$ 400  |
| B           | 200   | 800   | 800   |
| C           | 100   | 400   | 1,200   |
|             | <hr/> \$600   | <hr/> \$2,400   | <hr/> \$2,400   |

chandise with sales, as in comparing receivables with sales, it is of utmost importance that consideration be given to the seasonal variations of the business, months of heavy shipment, etc. There is also another feature to consider in comparing merchandise with sales.

A monthly schedule of sales and all that sort of data may be secured. The comparison of merchandise with sales may show up satisfactory and still the inventory may be all out of line. This may be due to the class of merchandise or kind of merchandise. If the company handles but one article a comparison may be taken to mean something, but even under this condition, there are certain contingencies which might affect it. Let us take the same December 31 inventory, \$600,000, and sales of \$3,600,000 (\$2,400,000 actual cost of merchandise sold) as taken in the previous paragraphs. Assume that the business has three departments. The inventory position might be as shown in the above table.

It is evident from the foregoing that even though the aggregate inventory might make a favorable comparison with the annual sales from the standpoint of size, the various kinds of merchandise included therein might, as classes, be entirely out of line with sales for the particular classes. It is also true that other features relating to the composition of inventory might be such as to

affect any comparison of aggregate inventory with aggregate sales. The inventory might appear well enough in line compared with sales and yet it could be cluttered up with a large amount of obsolete merchandise. Again, in an article sold by size, it would be possible to have an accumulation of odd sizes. Let us consider a shoe store selling shoes for men, women and children. Aggregate sales are \$1,200,000, December 31 inventory, \$200,000, gross profits 50 per cent. This will have the following set up: Sales at cost \$800,000, inventory December 31 \$200,000, rate of turnover 4.

The departments as individual departments, to show a turnover of four times, should have inventories as follows:

(000 omitted)

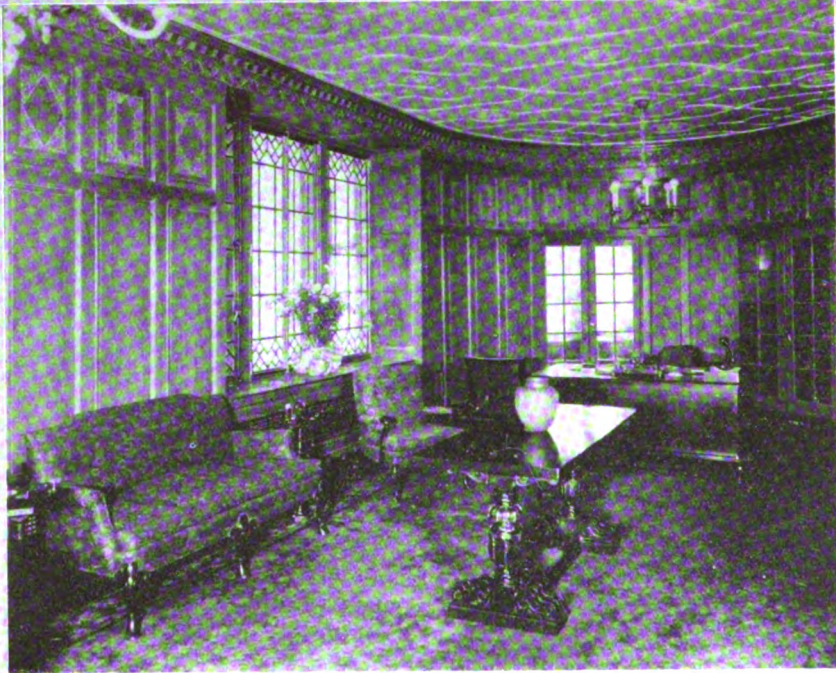
| Department | Sales at cost | Inventory |
|------------|---------------|-----------|
| Men's      | \$300         | \$75      |
| Women's    | 300           | 75        |
| Children's | 200           | 50        |

However, to obtain a rough idea, a crude example is given in the table at the foot of the page.

In all of the above examples, the total inventory figure is the same; i. e., \$200,000, and this total compared with sales of \$800,000, shows, in each case, turnover of four times. The inventory figure on this basis (considering four times turnover correct

(000 omitted)

| Departments                         | Proper<br>inventory | Possible<br>inventory | Possible<br>inventory | Possible<br>inventory |
|-------------------------------------|---------------------|-----------------------|-----------------------|-----------------------|
| <b>Men's</b>                        |                     |                       |                       |                       |
| Fresh merchandise .....             | \$ 75               | \$120                 | \$ 50                 | \$ 75                 |
| Obsolete styles .....               |                     |                       | 20                    | 40                    |
| Odd sizes, out of season, etc. .... |                     |                       | 5                     | 5                     |
| <b>Women's</b>                      |                     |                       |                       |                       |
| Fresh merchandise .....             | 75                  | 50                    | 50                    | 30                    |
| Obsolete styles .....               |                     |                       | 20                    | 15                    |
| Odd sizes, out of season, etc. .... |                     |                       | 5                     | 5                     |
| <b>Children's</b>                   |                     |                       |                       |                       |
| Fresh merchandise .....             | 50                  | 30                    | 30                    | 15                    |
| Obsolete styles .....               |                     |                       | 15                    | 10                    |
| Odd sizes, out of season, etc. .... |                     |                       | 5                     | 5                     |
|                                     | <hr/> \$200         | <hr/> \$200           | <hr/> \$200           | <hr/> \$200           |



## CRITTALL Steel Casements

*President's Office, Union Trust Co., Cleveland, Ohio.  
At left, Office of Chairman of the Board. Graham,  
Anderson, Probst & White, Architects.*



*All Crittall Casements are made  
of Crittalloloy—the Copper-Bearing Steel*

Crittall Steel Casements in varied designs are admirably adapted for use in the private offices and directors' rooms of banks and trust companies. Hand made to specific requirements, they combine dignified beauty with extremely practical advantages of light and ventilation. In the larger sizes for main banking rooms, Crittall Casements contribute materially to improved working conditions. They are permanent, weathertight and their maintenance cost is exceptionally low.

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turnover for this merchant) would appear to show that the house was in order in this respect. It is readily seen, however, from the rough example given above, that the composition could be such that the inventory was not in good condition or even a good asset at the value stated.

There are, therefore, seen in this discussion of the merchandise item many factors which should be considered in addition to its bulk relation to sales. As pointed out, it could appear large and be in order, or could appear small and be out of order.

While the basis of valuation of merchandise for statement purposes has not been discussed, it has been mentioned in connection with the generally approved plan that it should be valued on the basis of cost or market, whichever is lower. This is a general rule, and it simply means that it should be valued at the actual cost if such is less than the actual market, and that it should be valued at the market, if such is less than the cost. On this basis, no profit is taken into consideration due to any rise in market value or desire to write up the value of merchandise by the management. In the event that inventory is taken during a declining market, a reserve should be established to cover any contingencies. The question: "Did you dispose of merchandise shown in your statement at a profit, or is its market value higher today than when you took inven-

a concern can at any time get a pretty good idea of the actual supply of merchandise which it has on hand. The system is not as simple as it sounds, and in a business where there are numerous articles, and particularly in the manufacturing business, where cost of production enters in, a perpetual inventory record resolves itself into a rather difficult and complicated system.

Here, too, is mentioned the cost of production. It must be realized that in a manufacturing business the cost of manufacturing, the direct labor entering into the transforming of the raw material into its finished state, is as much a part of the cost of goods as the raw material itself. For example, let us take a manufacturing line of business where the gross profit is figured to be 30 per cent. of sales. The profit and loss figures will show sales 100 per cent., cost of goods sold, 70 per cent., and gross profit, 30 per cent. In the case of a retail business, in addition to actual merchandise purchased, there is probably to be added an item of freight inward, which is a part of the actual cost. In the case of an importing business the actual cost of merchandise is increased by import duties, freight inward, etc. In the manufacturing business, there are to be taken into consideration, direct labor, freight inward, etc. Therefore, in the manufacturing profit and loss statement, the set-up might be as follows:

|   |             |             |            |
|---|-------------|-------------|------------|
| Sales: .....                                      |             | \$2,400,000 |            |
| Cost of goods sold:                               |             |             |            |
| Merchandise at the beginning .....                | \$ 600,000  |             |            |
| Purchases of raw material and freight inward..... | 1,000,000   |             |            |
| Direct labor .....                                | 600,000     |             |            |
|   |             |             |            |
| Total .....                                       | \$2,200,000 |             |            |
| Merchandise at close .....                        | 600,000     | 1,600,000   |            |
|   |             |             | \$ 800,000 |

tory?" is always in order by a credit man when he is handed the statement some time after statement date.

An actual physical inventory should always be taken for statement purposes at least once a year. It is customary for some houses to maintain perpetual inventory records. These records are usually kept by means of a card system, the cards being so designed and the invoices and checking out of merchandise on requisition being so handled that a record may be kept of all merchandise receipts by classes and all sales on a cost basis. By such a system

Of course, the merchandise shown at the close of the year is made up of finished goods, work in process, and raw material. The finished goods and the work in process will not only include the actual cost of raw material used therefor, but also that portion of labor which has been expended thereon to bring it to its present state, or the market value, if such be less. Here is a case where some difference of opinion might enter. This will be taken up later. The raw material is presumed to be taken at actual cost or market value, whichever is lower. As to the difference of opinion

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as to the cost or market value of finished goods and work in process, it is obvious that the market value is the selling price. If inventory must be taken at market value, under ordinary circumstances, there is no margin of profit to the company should sale be made at the prevailing market. In other words, the cost should be less than the market price to enable its sale at a gross profit. Assume that a mill manufactures a certain type of cloth, the market value of which is 30 cents per yard. The normal cost of producing this fabric is 20 cents per yard when operating at capacity so the mill shows a gross profit of 50 per cent. However, the mill only operates at 50 per cent. of capacity due to the fact that it has a 50 per cent. volume of sales. Naturally certain costs remain permanent and the cost of producing per unit is actually 29 cents per yard. If valued in statement at cost or market, whichever is lower, it would probably be valued at the actual cost of 29 cents and by its sale on today's market there is only a gross profit

of 1 cent per yard. Had the mill been running at full time the production cost per unit would be normal; that is 20 cents per yard, and its sale price of 30 cents per yard would permit of a gross profit of 50 per cent. on sales. On this basis, the 50 per cent. gross profit is sufficient to cover general selling and administrative expenses (provided necessary volume is attained) and allow a net profit. In the case where the mill is on a 50 per cent. of normal production due to 50 per cent. of normal sales; and where in a 30 cent market it costs 29 cents to make each yard of cloth, the margin of gross is far below what is necessary to cover expenses, and operations will show a loss. Some, in taking inventory when operations are on a part time basis, take merchandise at what would be the normal cost of production and not the actual cost of production. On such a basis of valuation there is a normal gross profit in merchandise when it is sold. Expenses will be covered and a net profit shown. It is evident, then, that the nearer merchandise is valued to market the smaller would be the profit if sold in that market; and expenses not being covered, that portion of next year's volume will show a loss which must be offset by profits on new purchases and manufacturing to bring through a profitable year.

#### *Is Depreciation a Cost?*

Under systems of cost accounting which have been developed, it is generally customary to charge to the cost of goods, certain items of cost, such as depreciation, rental of plant, etc. Of course, this is largely theory. However, the writer believes that the theory is that depreciation should be split up and allocated to the various departments of the business. Assume roughly that the entire building is used for the conduct of the business, manufacturing, administrative and selling purposes, and that depreciation amounts to \$100,000 per annum. Seventy-five per cent. of the building is devoted to manufacturing, 15 per cent. to selling and 10 per cent. to administration. Under a technical theoretical cost accounting, the policy would be to charge \$75,000 to cost of goods, \$15,000 to selling expenses, \$10,000 to administrative expenses. However, the writer is not aware of many cases where cost accounting systems are being put to practice to this extent. Depreciation is generally regarded as a charge against income because of the fact

that it is rather difficult to split it up along technical lines. It cannot be accurately figured, but must be estimated. Where a division is not made, it is not considered good policy to charge the entire amount to the cost of goods sold. One strong argument in favor of charging cost of goods with its full share of depreciation is the fact that machine labor has so largely replaced hand labor (a cost of production) that the depreciation of the machines is an important part of cost. But the writer does not believe that the distribution of depreciation to various departments is quite the general practice as yet, although it is coming in vogue with cost accounting methods, and is really more accurate. Many large companies do not do it as evidenced by numerous published press reports reading "Earnings before Depreciation." This same theory also applies to interest on mortgages, etc., which could be split up under a cost accounting system.

Questions and answers on bank credit problems follow as usual and will continue each month.

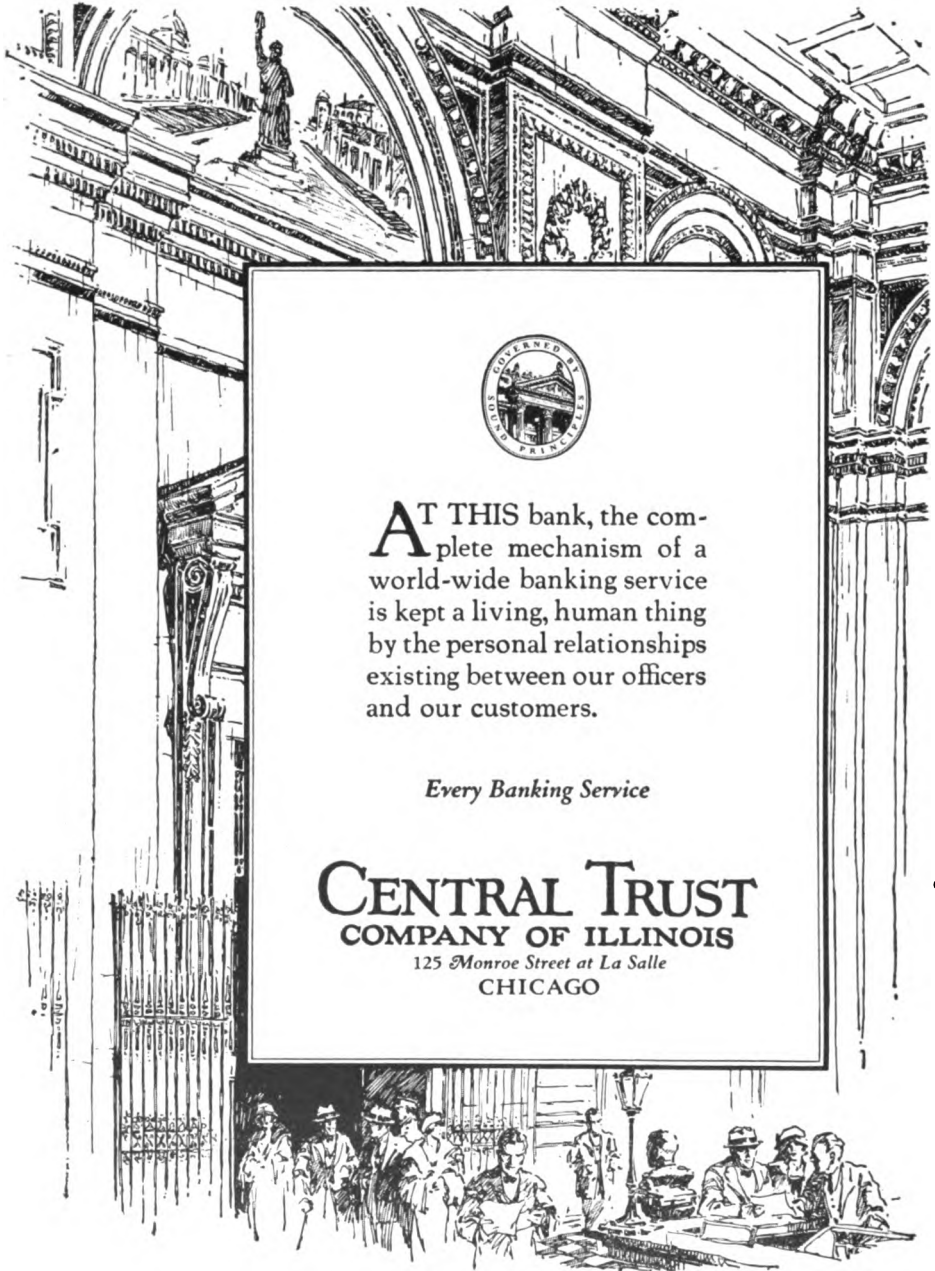
**QUESTION:** A statement of a contracting house shows an item in the assets of "contracts on hand" and in the liabilities side an item of "costs to cover work on hand." I would appreciate your viewpoint as to these items.

**ANSWER:** This policy of accounting is in vogue with some contracting houses.

After they receive a contract for \$20,000, they set up an item in the assets of this amount. If they estimate that the cost to do this work is \$16,000, they set up a liability in that amount. The balance is reflected in net worth. In other words, profits are taken ahead of time or prior to their actual realization. It is the same as a manufacturing business having orders on hand they would set up as an asset, estimating what it would cost them to make the merchandise and then setting up such an estimate as liability. The practice has been discontinued by many contracting houses and profits are not taken until actually made. In the case of work in process by a contracting house, it is handled on the same basis as work in process by a manufacturing concern and is valued in the statement on the basis of cost of raw material, plus actual labor expended to statement date. When the job is actually finished it becomes an account receivable and the profit is then taken into the balance sheet. This meets with more general approval. Under a set up such as that mentioned, the question would arise as to whether the estimated cost to cover the work included any allowance for general overhead or was simply the cost of materials and direct labor. If the estimated cost to cover was simply the cost of labor and direct labor, no allowance being made for overhead expense, and should the estimate prove to be the actual cost, it is obvious that the actual profit would really be less, due to overhead expense. In other words there would be included in net worth a gross profit anticipated on operations rather than a net profit.



IT should be borne in mind that since pre-war years the United States has changed from being primarily a debtor country to being a creditor country, toward which interest payments and payments on principal flow, tending to increase imports. Moreover, we now have to pay relatively less to foreigners for ocean transportation on account of the development of our own shipping. Were we not constantly making large new investments in foreign countries, the change in our position in this respect might readily result in a normal excess of imports. The continuous large balance in our favor represents primarily our increasing loans and investments abroad. Our new placements of capital in foreign countries during 1925 have probably totaled more than \$1,000,000,000, and bring our total foreign investments (exclusive of loans by our Government) to more than \$9,000,000,000, as compared with about \$2,000,000,000 before the war. These investments represent, of course, savings of the American people and additions to their wealth; they supply a future increase of national income in the form of interest and dividends from such investments, as well as a most potent stimulus to our exports.—JULIUS KLEIN, Director Bureau of Foreign and Domestic Commerce.



AT THIS bank, the complete mechanism of a world-wide banking service is kept a living, human thing by the personal relationships existing between our officers and our customers.

*Every Banking Service*

**CENTRAL TRUST**  
**COMPANY OF ILLINOIS**  
125 Monroe Street at La Salle  
CHICAGO

# Banking and Financial Notes

SPECIAL

**The** BANKERS  
MAGAZINE

SECTION

## Eastern States

*Comprising New York, New Jersey, Pennsylvania and Delaware.*

### CONVENTION DATES

National Safe Deposit Convention—at New York, N. Y., May 7-8.

Pennsylvania Bankers Association—at Atlantic City, N. J., May 26-28.

N. Y. State Bankers Association—at Quebec, Canada, June 21-23.

National Association of Mutual Savings Banks—at Philadelphia, Pa., October 18-22.

## CHANGES AT THE BANK OF AMERICA

Walter M. Bennet, first vice-president of the Bank of America, New York, has retired after forty-one years of service with that institution, and has sailed on a Mediterranean tour. Edward C. Delafield, president of the bank, on behalf of the officers, presented him with a platinum watch.

Mr. Bennet was educated at the College of the City of New York, and came to the bank in 1884, shortly after graduation. He steadily worked his way up until in 1892 he became assistant cashier. In 1908,



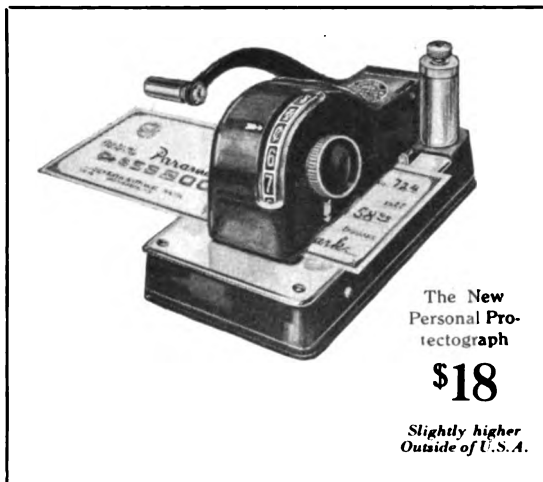
**WALTER M. BENNET**  
Senior vice-president Bank of America, New York, who has retired after forty-one years of continuous service with that institution



**GILBERT E. CHAPIN**  
Who has resigned as comptroller of loans at the Federal Reserve Bank of New York, to become vice-president of the Bank of America, New York



# Two million checks a day!



BY MAIL and messenger your quota of this great number of checks is showed on your bank daily. Each involves a bookkeeping operation. Each brings to you a problem common to all bankers—deciphering the amount line before the check can be cashed, recorded, passed on.

Yet you would be largely relieved of this daily problem—costly as well as irritating—if the customers of your bank used the Personal Protectograph. Though it costs only \$18, a price your customers can afford, the new Personal Protectograph writes and guards the amount line on checks by the same methods used by the large business Protectographs. The amount is shredded in indelible ink into the very fibre of the paper—easy to read at a glance, and protection for your customers against the check raiser's skill.

*Send for banker's plan*

Many tellers, clerks and others are co-operating in popularizing the Personal

Protectograph by becoming agents for its sale at satisfactory profit to themselves.

For those who are interested, we have developed a complete plan whereby banks may aid in the quick distribution of the Personal Protectograph. Nearly two thousand banks, many of them large city institutions, have already found this plan practical and advantageous. Details are yours for the asking. The Todd Company, Protectograph Division. (Established 1899.) Rochester, N. Y. *Sole Manufacturers of the Protectograph, Super-Safety Checks and Todd Greenbac Checks.*

THE TODD COMPANY  
Protectograph Division  
1139 University Ave., Rochester, N. Y.

2-26

Gentlemen: we would like to know more about the advantages to us of the plan by which already nearly two thousand banks are introducing the Personal Protectograph to their depositors. Please send full particulars.

Bank .....

Address .....

Name of official .....

## TODD SYSTEM OF CHECK PROTECTION

# Kings County Trust Company

City of New York, Borough of Brooklyn

Capital \$500,000 Surplus \$4,000,000 Undivided Profits \$794,000

**JULIAN P. FAIRCHILD, President**

**JULIAN D. FAIRCHILD, Vice-President**  
**WILLIAM J. WASON, JR., Vice-President**  
**HOWARD D. JOOST, Vice-President**  
**J. NORMAN CARPENTER, Vice-President**

**THOMAS BLAKE, Secretary**  
**ALBERT I. TABOR, Assistant Secretary**  
**CLARENCE E. TOBIAS, Assistant Secretary**  
**ALBERT E. ECKERSON, Auditor**

**ACCOUNTS INVITED**

**INTEREST ALLOWED ON DEPOSITS**

he was made a vice-president, and in 1920 became first vice-president.

He is a director of the Bank of America, a trustee of the Drydock Savings Bank, New York, and a director of the Consolidated Copper Mines.

Gilbert E. Chapin, comptroller of loans at the Federal Reserve Bank of New York, has resigned to become vice-president of the Bank of America. Mr. Chapin had been with the Federal Reserve Bank since 1917, prior to which he was credit man with the Westinghouse Electric & Manufacturing Co.

The following promotions have also been made at the bank: L. B. Heemskerck has been advanced from assistant vice-president to vice-president; Oscar F. Meredith and Henry J. Schuler have been advanced from assistant cashiers to assistant vice-presidents; Dudley F. Fowler and Howard B. Smith have been advanced from assistant trust officers to trust officers; Paul E. Landon, formerly manager of the trust department has been appointed assistant trust officer; Amandus W. Austin, formerly assistant manager of the foreign department and Adrian M. Massie, formerly manager of the securities department have been appointed assistant cashiers; and John W. McKeon, formerly assistant manager of the foreign department has been appointed manager of the foreign exchange division.

## SCHENCK LEAVES CHEMICAL NATIONAL

Edwin S. Schenck, first vice-president of the Chemical National Bank, New York, has resigned, effective July 1, 1926, after twenty-five years of continuous service in banking. He was president of the Citizens



**E. S. SCHENCK**

First vice-president Chemical National Bank, New York, who recently resigned, after twenty-five years of continuous service

National Bank, New York, for almost twenty years prior to its consolidation with the Chemical National in 1920.

## PROMOTIONS AT NEW YORK TRUST

Boyd G. Curts and Artemus L. Gates have been elected vice-presidents of the New York Trust Company, New York; A. C. Downing has been appointed secretary; Lindsay Bradford, Clarence E. Hunter and John Murray Mitchell have been appointed assistant vice-presidents; Sidney B. Silleck has been appointed trust officer; and Manice de F. Lockwood and William J. Mackey



The oldest and youngest members of the board of directors of the Chemical National Bank, New York ; Frederic W. Stevens and Jansen Noyes. Mr. Stevens, 80 years old, has served continuously on the board for fifty-five years, having been elected ten years before the president of the bank (Percy H. Johnston) was born. Jansen Noyes, 41 years old, was recently elected as the thirty-fourth director the bank has had in its history of 102 years. He is head of Hemphill, Noyes & Co., New York

have been appointed assistant treasurers. All the promotions were made from the staff of the trust company.

#### CHASE NATIONAL'S FOREIGN LOAN POLICY

In his annual report to the stockholders, Albert H. Wiggin, chairman of the board

of the Chase National Bank, New York, described the foreign loan policy of the bank as follows:

"In common with other large American banks whose extensive business relationships have brought them international prominence, the Chase National Bank has been approached many times since the



## OFFICERS

**J. R. McALLISTER**  
President

**J. A. HARRIS, JR.**  
Vice-President

**J. WM. HARDT**  
Vice-Pres. and Cashier

**E. E. SHIELDS**  
Assistant Cashier

**W. M. GEHMANN, JR.**  
Assistant Cashier

**M. D. REINHOLD**  
Assistant Cashier

**E. M. MANN**  
Assistant Cashier

**T**HE Directors of the Franklin National Bank and the Directors of the Fourth Street National Bank have approved a plan for the merger of the two institutions. After it is effected the consolidated institution, which will be known as the **FRANKLIN FOURTH STREET NATIONAL BANK**, will have capital, surplus and undivided profits of over \$24,000,000. Mr. J. R. McAllister, President of the Franklin National Bank, will head the bank as Chairman of the Board of Directors and Mr. E. F. Shanbacker, President of the Fourth Street National Bank, will be President. The Board of Directors will include the full membership of both Boards. The merger will be effective about April 1st.

# FRANKLIN NATIONAL BANK

PHILADELPHIA

# YORK VAULTS

## *New York Federal Reserve Bank*

**The World's Largest and Strongest Vault Entrances**

The York Safe and Lock Company built and installed in the New York Federal Reserve Bank six (6) YORK Revolvable Vault Entrances, each 10 feet in thickness, the climax of mechanical genius and ingenuity.

In addition to the New York Federal Reserve Bank YORK has built at its factory in York, Pennsylvania, vaults for Federal Reserve Banks in the following cities :

|                     |                   |                     |
|---------------------|-------------------|---------------------|
| <i>Cleveland</i>    | <i>Boston</i>     | <i>Buffalo</i>      |
| <i>Philadelphia</i> | <i>Pittsburgh</i> | <i>Detroit</i>      |
| <i>Chicago</i>      | <i>Louisville</i> | <i>Jacksonville</i> |
| <i>Minneapolis</i>  |                   | <i>Little Rock</i>  |

YORK vaults are used by the U. S. Government, Clearing House Associations, and many of the leading Banks throughout the country.

Correspondence with nearest branch is welcomed by our Engineering department with banks contemplating new or enlarged vaults.

**Principal Builders of High Grade Vaults**

## **YORK SAFE and LOCK CO.**

**55 Maiden Lane**

**New York**

### *Branches*

|                  |                |                      |                  |
|------------------|----------------|----------------------|------------------|
| <i>New Haven</i> | <i>Boston</i>  | <i>Philadelphia</i>  | <i>Baltimore</i> |
| <i>Cleveland</i> | <i>Chicago</i> | <i>San Francisco</i> |                  |

## To Banks and Trust Companies

we offer complete facilities for the handling of New York business. Stock and bond quotations, credit information, mortgage rates in various sections of the country and other data will be gladly furnished to financial institutions.

*Personal calls from visiting bankers welcomed*

### UNITED STATES MORTGAGE & TRUST COMPANY

Main Office: 55 Cedar Street

**Branches:**

Broadway at 73rd Street  
125th St. at Eighth Ave.

Madison Avenue at 74th St.  
Lexington Avenue at 47th St.

New York

termination of the World War by representatives, bankers and business men of European countries seeking loans; and many American business men contemplating trade relationships with European countries have come to us for advice and financial assistance. These foreign loans have been judged solely on their merits as proper banking commitments, and the total volume of such European commitments has been kept at all times well within a conservative proportion of the total outstanding loans of the bank. We have endeavored to do our proportionate part in the important work of the financial rehabilitation of Europe, and expect to continue our efforts in this worthy cause.

"Profits of the bank from December 31, 1924 to December 31, 1925, after deducting all expenses and making full provision for all bad and doubtful debts and providing for reserve for taxes, were \$4,916,474, or 24.58 per cent. on the capital of the bank. Out of these profits, dividends of 16 per cent. on the \$20,000,000 capital of the bank, amounting to \$3,200,000 were paid to shareholders."

#### NEW BRANCH FOR CENTRAL MERCANTILE

The Central Mercantile Bank, New York, has opened a second branch bank at the corner of Varick and Spring streets, New York.

#### MANUFACTURERS TRUST REPORTS BEST YEAR

Nathan S. Jonas, president of the Manufacturers Trust Company, New York, said, in his annual report to the stockholders that the statement of the bank reflected "the best year of growth and prosperity that the company has enjoyed since its organization in 1905." During the year, he said, the bank took over by merger three of the best known independent banks of the city—the Yorkville Bank, the Gotham National Bank, and the Fifth National Bank, making the total number of offices in Greater New York fifteen. Satisfactory earnings enabled the payment of an extra dividend of 1 per cent. for the quarter ending October 31, 1925, and a like extra dividend for the quarter end-

ing December 31, 1925, making 18 per cent. paid during the year.

The condensed statement of the bank, as of January 2, 1925, showed cash on hand and in Federal Reserve and other banks of \$45,867,162, loans of \$119,044,566, deposits of \$209,172,421, and total resources of \$240,162,471. Combined capital, surplus and undivided profits amounted to \$23,034,104.

#### VON STERNBERG NEW PRESIDENT OF COMMONWEALTH

In his thirty-seven years of service with the Commonwealth Bank, New York, Julius R. Von Sternberg has advanced from messenger boy to president, reaching the latter office on January 12, last. He was only 17 years old when he entered the bank (at that time called the Germania Bank) and has been with it ever since. His advancement has been steady, and is due, according to him, to "strict attention to business." He went through every department of the bank,



**JULIUS R. VON STERNBERG**

The new president of the Commonwealth Bank, New York, who began work for the bank thirty-seven years ago as an office boy

and in 1919 was made assistant cashier, at which time he took an active part in re-organizing the various departments of the bank. In October 1924, he was elected one

of the three vice-presidents, and held that position until his recent election to the presidency. As president, he succeeds Charles A. King, who has been made chairman of the board of directors.

George F. Olt, cashier of the bank has been elected vice-president to succeed Mr. Von Sternberg.

#### MUST RESTORE BALANCE BETWEEN AGRICULTURE AND INDUSTRY, SAYS WARBURG

Paul M. Warburg, chairman of the International Acceptance Bank, Inc., N. Y., in discussing the business situation at the annual meeting of the stockholders of that



**PAUL M. WARBURG**

Chairman of the board International Acceptance Bank, Inc., New York, who says that the country's greatest problem is to restore and maintain a balanced relation between industry and agriculture

institution said that the year 1925 was notable for the re-establishment of the gold standard in England and the signing of the Treaties of Locarno. As for domestic conditions, he said: "Undoubtedly our country finds itself at present in a period of unprecedented prosperity. We perceive a bright and clear sky, with only a few clouds on the horizon, these being the dangers inherent in a tendency toward overspeculation and overstimulation in certain branches

of trade and of industry by offering the temptation of excessively long purchasing terms. But our high standard of living, including the high wage scale on which our prosperity is predicated, is uncomfortably out of proportion to that of the rest of the world, even though to a large extent this disproportion may be justified by the greater efficiency of our labor and machinery. The fact remains, however, that while a high tariff wall and restriction of immigration protect industry and labor, the farmer's fate—as long as he has to place his excess production in world markets—cannot become equally emancipated from the purchasing power and the price levels governing in foreign lands. To restore or to maintain a balanced relation between our industrial and agricultural levels will, therefore, constitute one of our most difficult and, at the same time, most important problems of the future."

In presenting the bank's financial statement for December 31, 1925, F. Abbot Goodhue, president, drew attention to the satisfactory progress made during the last year and particularly to the wide diversification of the credits granted covering the shipment of goods all over the world. The acceptances outstanding on December 31, 1925, totalling \$46,527,784, were drawn on 409 drawers, in twenty-five countries and covered transactions in all the important raw commodities in world trade. The volume of dollar acceptances outstanding during the year was, on an average, \$10,000,000 in excess of the preceding year, and both gross and net profits were the highest since the beginning of the bank's operations. Dividends at the rate of 8 per cent. per annum have been declared and paid on the paid in capital for the second half of the year. Undivided profits stood, on December 31, 1925, at \$3,325,136, an increase of \$750,000 during the year.

#### BUNKE JOINS HAMILTON NATIONAL

John Bunke, for thirty years associated with the Fifth National Bank, New York, has been appointed assistant cashier of the Hamilton National Bank, New York.

#### ALBIG SECRETARY COMMERCE AND MARINE COMMISSION

W. Espey Albig, deputy manager of the American Bankers Association, in charge

## Hare & Chase, Inc.

### *Automobile Finance*

300 Walnut Street  
Philadelphia



The name Hare & Chase has  
fifty-eight years of business  
prestige behind it

of the Savings Bank Division, has been appointed secretary of the Commerce and Marine Commission of the association, to succeed David B. Bunim. Mr. Bunim resigned to accept a position with the real estate mortgage house of Halley, Knox & Koenig, New York.

#### CORNELL LEAVES BANKERS TRUST

Charles O. Cornell, manager of the industrial department of the Bankers Trust Company, New York, has resigned to form the firm of Cornell, Linder & Co., Inc., which firm will conduct a business as consultants and investors in industrial enterprises.

#### KAHLER REPORTS MOST SUCCESSFUL YEAR

Harry A. Kahler, president of the New York Title and Mortgage Company, New York, reported to the stockholders at the annual meeting that last year was the most





LIBERTY DISCOUNT & SAVINGS BANK  
CARBONDALE, PA.

— ← — → —

**MORGAN, FRENCH & CO., INC.**  
ARCHITECTS AND ENGINEERS  
19 WEST 44<sup>TH</sup> STREET  
NEW YORK

successful one in the history of the business, net earnings amounting to \$4,747,646.

James C. Brady, vice-president and director of the Brooklyn Edison Company, has been elected a member of the board of the bank.

**PEOPLES NATIONAL, BROOKLYN,  
INCREASES SURPLUS**

The Peoples National Bank, Brooklyn, N. Y., has transferred \$50,000 from undivided profits to surplus account, increasing the surplus to \$300,000.

**CHANGES AT FIDELITY TRUST,  
PHILADELPHIA**

David S. Mathers has been elected treasurer of the Fidelity Trust Company, Philadelphia, Pa., to succeed George H. Kyd, retired after fifty-two years of service. E. B. Smyth has been elected assistant treasurer to succeed E. P. Townsend, who has also retired after an equal service. Francis Travis Coxe has been elected safe

Hundreds of bankers said it couldn't be bettered — but Reed made it better.  
— Send for and see Reed's Mass color Plan for 1926.

**P. M. REED**  
Banker Associates

TRIBUNE TOWER  CHICAGO

superintendent, to succeed Clarence North, deceased.

**CHANGES AT PENNSYLVANIA  
TRUST, PITTSBURGH**

Louis P. Lavie has been elected assistant trust officer of the Pennsylvania Trust Company, Pittsburgh, Pa., and Charles W. Wilson has been elected manager of the real estate department.

**CHANGE OF TITLE**

The Farmers National Bank of Rome, Rome, N. Y., has changed its corporate title to the Farmers National Bank and Trust Company of Rome. The bank has increased its deposits and resources over \$1,000,000 in the last two years. The statement as of December 31, 1925 shows loans of \$2,631,082, cash and checks amounting to \$119,180, deposits of \$5,467,570, total resources of \$6,053,886. Combined capital, surplus and undivided profits amount to \$525,367.

**DISCOUNT CORPORATION OF  
NEW YORK**

The statement of the Discount Corporation of New York, New York, as of December 31, 1925, shows acceptances outstanding of \$85,647,973, cash on hand of \$2,770,259, and combined capital surplus and undivided profits of \$7,696,234.

**ADVERTISING CLUBS CONVENTION**

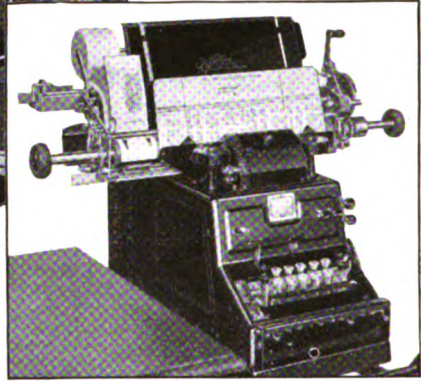
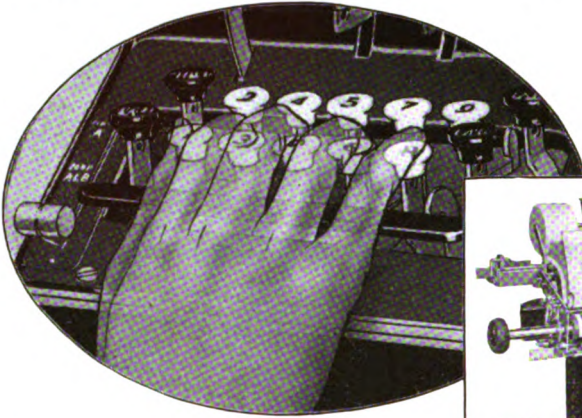
H. Ennis Jones, assistant to the president Franklin Trust Company, Philadelphia, Pa., and chairman of the local committee of the Financial Advertisers' Association, reports that the twenty-second annual convention of



**GEORGE V. DREW**

Assistant vice-president Equitable Trust Company, New York, in charge of the company's recently opened Twenty-eighth street office, a picture of which will be found in the Some Recent Bank Building Operations section this month

# “Eyes on work...fingers on keys”



*“Touch method” keyboard of New Dalton “MULTIPLEX” Bank Ledger Posting and Statement Machine speeds posting work 25 per cent*

**H**OLD a stop watch on an operator posting the old "hunt and pick" way, and you'll find more than 25 per cent of the time consumed in swinging head and eyes from data to machine and back again.

With the New Dalton "MULTIPLEX" Bank Ledger Posting and Statement Machine, all these needless movements are eliminated. The scientifically correct 10-key Dalton "touch method" keyboard enables the operator to post with "eyes on work—fingers on keys." Posting work speeded up 25 per cent or more over the old-fashioned method!

Besides, with this new machine you get:

Simplicity—the machine is instantly operable by anyone.

Visibility—all work immediately be-

fore and within easy range of operator's line of vision.

Durability—the machine is so simply, so durably made that little mechanical service is ever needed.

This new Dalton model checks its own work, enabling the bank, if it so desires, to eliminate the expensive "call-back" system. Overdrafts, including date, are automatically printed in red. Position of paper carriage facilitates injection and removal of sheets. Improved automatic carriage return makes this machine extremely quiet in operation. All exclusive Dalton advantages!

Phone the nearby Dalton Sales Agent—have him explain the advantages of the New Dalton "MULTIPLEX" Bank Ledger Posting and Statement Machine. Or write for free descriptive booklet.

## THE DALTON ADDING MACHINE SALES COMPANY Cincinnati, Ohio, U. S. A.

Agents for Canada: The United Typewriter Co., Toronto and Branches  
Sales Agencies in ALL the Principal Cities of the World

# *Dalton*

Adding-Calculating . Bookkeeping . Statement and "Cash Register" Machines

The Dalton has been chosen the official adding and listing machine of the Sesquicentennial Exposition, Philadelphia, June 1 to December 1.

the Associated Advertising Clubs of the World, to be held at the University of Pennsylvania, Philadelphia, Pa., June 20-25, will have for its general theme "Advertising the Stabilizer of Prosperity." Preparations are already being made by the Poor Richard Club of Philadelphia, which will be the host, for the entertainment of the delegates by an outdoor musical festival, a magnificent night parade, etc., to say nothing of the Sesquicentennial Exposition which will be in progress then. These entertainments, however, will all be held after office hours, for the convention is to be a business congress. Over 10,000 delegates are expected, from all parts of the world.



### New England States

*Comprising Maine, New Hampshire, Vermont, Massachusetts, Connecticut and Rhode Island.*

#### CONVENTION DATE

New England Bankers Associations—at New London, Conn., June 18-19.

#### HORNE TO REPRESENT EQUITABLE IN BOSTON

Edward B. Horne is in charge of the Equitable Securities Company, Inc., Boston, the New England subsidiary of the Equitable Trust Company, New York, which opened for business January 11.

Mr. Horne has been in the brokerage business in Boston for many years, and was formerly a member of the Boston Stock Exchange. In 1918 he became affiliated with the Guaranty Trust Company, New York, as assistant secretary. Later he became the company's Boston correspondent, and served in that capacity for about seven years, leaving to join the staff of the Equitable.

#### HEAD BANK FOR 100 YEARS

One hundred years ago Charles Perry, then 16 years old, became president of the Washington Trust Company, Westerly, R. I. He served in this office for fifty-five years, and when he left it the work was taken up by his son, Charles Perry, Jr., who has served for forty-five years in that position. So, for 100 years father and son have been president of the bank—a record that

**UNIQUE**  
**THIN LEAD**  
**Colored**  
**Pencils**

*Useful to everyone*

Accountants  
Bank Clerks  
Executives  
Draftsmen  
etc.

*The first thin lead colored pencil ever produced.*

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| Blue   | - | 1206 |
| Red    | - | 1207 |
| Green  | - | 1208 |
| Yellow | - | 1209 |
| White  | - | 1215 |

**\$1.00 per doz.**  
*at all dealers or write direct*  
*By the makers of the famous VENUS Pencils*  
**AMERICAN LEAD PENCIL CO.**  
212 Fifth Avenue, New York

**FOR CHECKING, UNDERSCORING AND MARKING ON BLUE PRINTS**

is believed to be unique in American banking.

#### NEW TYPE OF BANK FOR MASSACHUSETTS

A bill for the incorporation of the Mortgage Bank of Massachusetts, which will be a new type of venture for Massachusetts, has been filed in the state House of Representatives. The bank will be modeled along the lines of building and loan associations in New Jersey and California, and the Joint Stock Land Banks. It will differ from the Massachusetts co-operative banks in having, instead of a "guaranty fund," paid-up guarantors' shares totaling \$500,000. As the bank grows, the number of shares issued will be increased so that the total guarantors' shares will always equal at least 5 per cent. of liabilities. While the maximum loan of a co-operative bank is \$8000, the new bank will be able to loan

Established 1837

# ADRIAN H. MULLER & SON

55 WILLIAM STREET

(Corner of Pine Street, New York)

## STOCKS AND BONDS AT AUCTION

*Regular Auction Sales of all Classes of Securities Every Wednesday*

**The Business of Banks, Bankers, Investors and Dealers in Securities Receives Prompt and Careful Attention**

amounts of \$15,000 and upwards for the construction of homes or mercantile buildings.

The instalment shares in the new bank, instead of having an ultimate value of \$200 only, payable at the rate of \$1 per month, will have ultimate values of \$100, \$200, \$300, \$400, or \$500, giving the borrowers greater latitude in the time for paying off their loans. Members will not be restricted in the number of paid-up or matured shares they may own. The plan has worked well in other states, and unless the bill for the company is killed by political opposition, it should be successful in Massachusetts.

### NEW ENGLAND TRADE BEST IN THREE YEARS

The current rate of business activity in New England is higher than the average for the last three years, although it does not exceed the high rate of activity reached last October, according to the monthly review of the Boston Federal Reserve Bank, issued by F. H. Curtiss, chairman and Federal Reserve Agent.

Retail trade has been in exceptional volume, sales during December being the largest on record for that month, and reports for the first four weeks of January indicate that consumers are taking advantage of the special sales to a larger extent than they did a year ago.

Further indications that goods are being distributed in large volume are obtained from reports of carloadings. Although activity in December was less than the year before in the textile mills, the cotton mills consumed more raw material than in November, indicating a slight improvement at the end of the year. While woolen mills were less active in the latter part of 1925

than in the corresponding months of 1924, they have, nevertheless, increased their production markedly since last summer. They consumed more wool in December than in November, while the usual experience is for a smaller amount to be used.

Raw wool prices were firm in the first three weeks of January.

Conditions in the New England shoe industry were less favorable than in the other two leading industries, output of shoes in each of the months of the last quarter of 1925 being less than in the corresponding period for 1924.

Shoe factories in other parts of the country also reported a relatively small volume of production.

Demand for workers at public employment offices during the first half of January was less than in the first half of December, although larger than a year ago. The call for workers was relatively small, due to the low rate of production.

### PROPOSAL TO EXTEND BRANCH BANKING IN MASSACHUSETTS

The present banking law of Massachusetts provides that trust companies may establish one branch, which must be in the same town as the head office. Commissioner Roy A. Hovey has introduced a bill to liberalize this by removing the one branch limitation, allowing the establishment of branches in adjoining towns, in which no other such company is operating, and to prevent the consolidation of trust companies unless they are in the same town. The bill is supported by the Association of Trust Companies of Massachusetts, under the mistaken impression that if the present McFadden Bill (H.R. 2) is passed, the national banks will have an advantage over the state banks in

the establishment of branches. The Massachusetts Association of National Banks is opposing the bill on the ground that it will give an advantage to the trust companies.



## Southern States

*Comprising the District of Columbia, Maryland, Virginia, West Virginia, North Carolina, South Carolina, Georgia, Florida, Alabama, Mississippi, Louisiana, Texas, Arkansas, Kentucky and Tennessee.*

### CONVENTION DATES

National Foreign Trade Association—at Charleston, S. C., April 28-30.

Louisiana Bankers Association—at Monroe, April 14-15.

Florida Bankers Association—at Jacksonville, April 23-24.

Arkansas Bankers Association—at Hot Springs, April 27-28.

A. B. A. (spring meeting of executive council)—at Pinehurst, N. C., May 3-6.

North Carolina Bankers Association—at Durham, May 6-8.

Mississippi Bankers Association — at Biloxi, May 11-12.

Georgia Bankers Association—at Columbus, May 17-19.

Texas Bankers Association—at Galveston, May 25-27.

Virginia Bankers Association—at Roanoke, June 17-19.

A. I. B.—at Dallas, Texas, July 12-17.

### CHANGES AT THE HIBERNIA BANK

James H. Kepper and William H. Nalty have been elected members of the board of directors of the Hibernia Bank and Trust

## Audits and Systems for Banks

Our specialty is conducting efficient and thorough bank and commercial audits, and the installation of accounting systems for banks, trust companies, and foreign exchange departments.

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Company, New Orleans, La. Mr. Kepper, who is a vice-president of the bank, has been with the institution for sixteen years, since boyhood. Mr. Nalty is a leader in the pine lumber industry, and vice-president and general manager of the Hammond Lumber Company, Hammond, La.

R. Joseph Druhan was promoted from assistant cashier to assistant vice-president. Charles H. Hendricks, of the new business department, W. Wilbur Pope, manager of the credit department, and Robert F. Schwaner, chief clerk were appointed assistant cashiers.

### PETERSBURG SAVINGS AND TRUST PROMOTIONS

P. M. Pollard, cashier of the Petersburg Savings and Trust Company, Petersburg, Va., has been elected vice-president and chairman of the board, to succeed W. D. McKenney, resigned. Leslie A. Wingo, assistant cashier, was elected cashier, and J. W. Hubbard, general bookkeeper, was elected assistant cashier.

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| National Banking Association  |                        |
| <b>Charleston, S. C.</b>  |                        |
| Established 1834  |                        |
| The Bank of Charleston succeeded to business of liquidating branch Bank of the United States. |                        |
| <b>Capital and Surplus . . .</b>  | <b>\$1,500,000.00</b>  |
| <b>Resources . . . . .</b>  | <b>\$12,500,000.00</b> |

#### SOUTH TEXAS NATIONAL TO INCREASE CAPITAL

The South Texas Commercial National Bank, Houston, Texas, is to increase its capital from \$1,000,000 to \$1,500,000. P. J. Evershade, vice-president, who has been connected with the bank for over thirty-eight years, has resigned because of ill-health. He remains a member of the board of directors, however.

#### GEORGIA BANK ENCOURAGES CORN GROWING

For a number of years the production of corn per acre in the State of Georgia has been declining, and the farmers of Georgia have become more and more disgusted with corn as a crop. This, perhaps explains why there was a proposition, some time ago, in a meeting of some of the officials of the state agricultural college, for a campaign to reduce the acreage. To this proposal, however, H. Lane Young, executive manager of the Citizens and Southern Bank, Atlanta, Ga., took vigorous exception, advancing the idea that what was necessary was not reduction of acreage, but more production per acre. To this end he proposed to the state agricultural college officials and the Agricultural Committee of the Georgia Bankers Association, that if they could form "corn clubs" in at least seventy-five counties in the state (each county offering some small prize to encourage the organization of the club and the growth of better corn by making better preparations—better fertilization and cultivation), he would offer a prize of \$1000 for the best five acres of corn in the state

grown during the year 1926. The only restriction is that the corn must be grown on a commercial basis—that is, it must not cost more to grow it than it will sell for at the market.

The proposition was accepted by the agricultural committee of the association, and the campaign is now on. It is hoped that it will be successful, for the idea is economically sound.

#### ATLANTIC NATIONAL PROMOTES SIX

At the annual meeting of the stockholders of the Atlantic National Bank, Jacksonville, Fla., W. O. Boozer, assistant vice-president was made a vice-president; C. O. Little was advanced from cashier to assistant vice-president; G. E. Therry, formerly assistant cashier, was elected cashier; and T. L. Burnett, J. F. Girard, and T. C. MacEachin, Jr., were elected assistant cashiers, the last being designated assistant to the president.

#### BANK MERGERS IN RICHMOND

Two mergers are under way in Richmond, Va.—the combining of the State and City Bank and Trust Company with the Planters National Bank, and the consolidation of the First National Bank with the Merchants National Bank.

The State and City and the Planters National merger will be effective March 1, and the name of the consolidated institution will be the State-Planters Bank and Trust Company. The new institution will have deposits of about \$40,000,000 and total resources of about \$50,000,000. It will be operated and managed by Julien W. Hill, president of the State and City Bank and Trust Company, Thomas B. McAdams, executive vice-president of the State and City, and W. Meade Addison, president of the Planters National, although the respective offices they will hold have not yet been announced.

The history of the State and City Bank and Trust Company will be found in THE BANKERS MAGAZINE for December 1922, page 1099, and that of the Planters National Bank in December 1925, page 1013.

No details of the merger of the First National Bank with the Merchants National are yet available. Special meetings of the stockholders of both banks have been called

# THE FIRST NATIONAL BANK OF RICHMOND, VIRGINIA



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Est. 1865

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**EXPERIENCE**—Over sixty years

**STRENGTH**—Capital and Surplus  
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**OFFICERS**—Experienced, capable and  
well versed on conditions  
and credits throuth this  
territory :

*invites your business*

**JOHN M. MILLER, JR.**  
*President*

**Resources over \$37,000,000**

for February 24, at which time it is expected that more information will be available.

## RESERVE BRANCH URGED FOR CAROLINAS

Since September 1924 North and South Carolina have been trying to get the Federal Reserve Board to establish a branch in that district. Many petitions were filed, and, after about twelve months study, the Federal Reserve Bank of Richmond recommended to the Federal Reserve Board that a branch bank be established in the Carolinas. After hearing the application last year, the Federal Reserve Board declined permission to establish the branch, at least temporarily, on the ground of expense. The bankers of the Carolinas, however, did not cease their efforts, and finally succeeded in getting a re-hearing on the question on January 15. Charlotte, Greensboro, and Wilmington, in North Carolina, and Columbia, Spartanburg, and Greenville, in South Carolina, are co-operating in urging the establishment of the branch, led respectively by Word H. Wood, president of the American Trust Company, Charlotte, N. C., and J. W. Norwood, president of the

Norwood National Bank, Greenville, S. C. Once the question is decided favorably, however, they will be competing with each other, for both states want the branch, and each of the three leading cities in each state wants the branch for itself.

The decision of the Federal Reserve Board has not yet been announced.

## COMMERCIAL CREDIT COMPANY, BALTIMORE, MD.

This institution recently made an offering of a new issue of \$8,000,000 of 6½ per cent. first preferred stock, which was quickly oversubscribed. The addition of about \$10,800,000 to net cash by this issue and the sale of additional common stock was not for the purpose of further expansion, but rather to cover expansion during the last year and to strengthen the company's present position and to provide for normal requirements during the coming season. The present policy of the company was thus stated in a letter addressed to depository banks by A. E. Duncan, chairman of the board of the Commercial Credit Company:

"Neither our company nor its affiliations have actively solicited business of new



1926

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**United States Corporation Company**  
150 Broadway, New York

customers for some three months and all of us have been keenly alive to the necessity of more stringent credit terms and of improving the character of our outstandings during good times in order to be well fortified against a period of depression.

"We believe that in the various reports the total volume of instalment buying has been very greatly exaggerated, especially in lines other than automobiles. Now is the time, however, for conservative extension of instalment, and especially motor credits, and bankers should urge their customers who are manufacturers, dealers and finance companies to co-operate to such end for the general good of all concerned."

The record made by the Commercial Credit Company from the standpoint of the investor appears from the following statement:

"An original investment in June, 1912, of \$1000 in ten shares common stock, par \$100, will, after giving effect to present financing, be represented by 409.2 shares no par value common stock, which, at present prices and allowing for the stock dividend, is now worth approximately \$15,675. In addition, the original holder has received an average annual cash dividend of 19.94 per cent., and from January 1, 1926 it is intended to pay an annual cash dividend of \$2 per share, or \$818.40 per annum on 409.2 shares, which is 81.84 per cent. on the original investment."

The consolidated financial statement, as of November 30, 1925, after giving effect to the new financing shows cash paid capital and surplus of \$31,241,525, with cash resources of over \$130,000,000. It is stated to be the largest organization of its kind in the world.

## Middle States

*Comprising Ohio, Indiana, Illinois, Michigan, Wisconsin, Minnesota, Iowa and Missouri.*

### CONVENTION DATES

Illinois Bankers Association—at Springfield, June 16-17.

Iowa Bankers Association—at Sioux City, June 21-23.

### CHANGES AT ILLINOIS MERCHANTS TRUST

Frank F. Taylor, for many years secretary of the Illinois Merchants Trust Company, Chicago, has been made a vice-president; Howell W. Kitchell, assistant secretary, has been elected secretary. Other changes include the promotions of H. M. Hanson, Paul C. Butcher, Norman B. Freer, and M. W. Lowell to positions as assistant secretaries.

In the banking department, John J. Mitchell, Jr., son of the president of the bank, and T. Philip Swift, were made assistant cashiers. New official positions as assistants to vice-presidents were created for Harold H. Shockey and Robert S. Hotz.

F. D. Connor has resigned as manager of the business extension department, as noted in these columns last month. This department has been consolidated with the advertising department under the direction of Carl A. Gode as manager.

### NEW DIRECTORS FOR UNION TRUST

Daniel Willard, president Baltimore & Ohio Railroad; Guy A. Richardson, vice-president and general manager Chicago Surface Lines; and Carl A. Johnson, president Gisholt Machine Company, Madison, Wis.,

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**T**HE obligations of this institution are selected as appropriate and sound mediums for short term investment by a large banking clientele. They may be obtained in convenient denominations and suitable maturities.

## DIRECTORS

**Alfred H. Swayne**  
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**Curtis C. Cooper**  
*President*

**Albert L. Deane**  
*Vice President*

**Pierre S. duPont**  
*Chairman, General Motors Corporation and E. I. duPont de Nemours & Co.*

**Lamont duPont**  
*Finance Committee, General Motors Corporation.*

**O. H. P. LaFarge**  
*General Motors Corporation*

**Seward Prosser**  
*Chairman, Bankers Trust Company, New York*

**John J. Raskob**  
*Chairman, Finance Committee, General Motors Corporation*

**Alfred P. Sloan, Jr.**  
*President, General Motors Corporation*

**John J. Schumann, Jr.**  
*Vice President*

**Donald M. Spaidal**  
*Vice President*

were added to the board of directors of the Union Trust Company, Chicago, at the annual stockholders meeting.

F. W. Loco was advanced from assistant cashier to assistant vice-president. The following new appointments were made: F. G. Murbach as assistant cashier and manager savings department, A. T. Sihler as manager investment department, L. E. Wilson as assistant cashier, W. S. Davis as assistant trust officer, and J. J. Buechner as auditor.

Frederick H. Rawson, chairman of the board, has presented to the Rush Post-Graduate School of Medicine of the University of Chicago a laboratory for medical research five stories high, containing a large library, class, reception, examination rooms and laboratories. It is located on the site of the old Rush Medical College.

### NATIONAL BANK OF THE REPUBLIC

Aaron Colnon, of John E. Colnon & Sons, has been elected to the board of directors of the National Bank of the Republic, to fill the vacancy caused by the death of Silas J. Llewellyn.

C. P. Walker has been elected vice-

president in charge of the savings division; C. W. Fritz has been advanced from assistant cashier to assistant vice-president; and W. E. Toon has been elected trust officer.

Thomas H. O'Connor, formerly assistant vice-president of the bank, has been elected treasurer of the National Republic Company, an affiliated institution.

### LAKE SHORE'S BUILDING CONTEST DRAWS ENTRIES

The Lake Shore Trust and Savings Bank, Chicago, Ill., has offered two gold medals for the best architecture in the north central district of that city; one for the most beautiful new structure, and one for the finest remodeled building. More than twenty entries in each class were made. The contest closed January 31.

### GUARDIAN TRUST COMPANY, CLEVELAND

The Guardian Trust Company, Cleveland, O., opened its ninth branch, the Arlington-Eddy branch, on January 16. The new branch is in charge of L. O. Bond, for nine years a member of the Guardian staff.

# STEELCRETE

PROTECTION  
ASSURANCE



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| NEW YORK CITY<br>103 Park Ave.       | <i>Foreign Sales Office</i><br>152 West 42d St., N.Y.C. |

war, he came to the St. Louis Union Bank, representing the bank in Arkansas and Louisiana. Since the St. Louis Union Bank merged with two other institutions as the First National Bank in St. Louis, Mr. Ramsey has been employed in the new business department soliciting commercial accounts in St. Louis and other large cities. He will continue in this capacity as an official.

### COLONEL AYRES HONORED

At the eighty-sixth annual meeting of the American Statistical Association, held in New York recently, Col. Leonard P. Ayres, vice-president of the Cleveland Trust Company, Cleveland, O., was elected president.

The American Statistical Association is the oldest of the scientific associations in America, and one of the oldest in the world. In its list of former presidents appear the names of many men distinguished in the fields of economics and statistics. Election



COLONEL LEONARD P. AYRES

Vice-president Cleveland Trust Company, Cleveland, O., who was recently honored with the presidency of the American Statistical Association

He was formerly assistant treasurer of the Middlefield Banking Company.

Francis W. Treadway, director, and member of the finance and executive committees of the company died on December 24, 1925. He was once lieutenant governor of the State of Ohio. He was a member of the law firm of Treadway & Marlatt and was an officer or director in a number of companies.

### CHANGES AT FIRST NATIONAL IN ST. LOUIS

Thomas R. Akin, president Laclede Steel Co., St. Louis, Mo., and John M. Olin, vice-president Western Cartridge Co., Alton, Ill., have been elected to the board of directors of the First National Bank in St. Louis.

Bruce Ramsey has been elected an assistant vice-president. He entered banking before the war, and after volunteering his services for war was assigned to the Treasury Department. At the close of the

to the presidency of the association is regarded in scientific circles as an important distinction.

Col. Ayres was also recently elected a trustee of the American Bankers Association Educational Foundation.



# BEFORE YOU LOAN MONEY ON A HOUSE

*Get the answers to these questions:*

- Will it be economical to heat?
- Will it be inexpensive to keep up?
- Will it be durable?
- Will it be easy to sell?

Your first mortgage will expire in five years. And building authorities agree that five years from now the house that does not meet these requirements will be out-of-date, hard to dispose of.

Celotex Insulating Lumber is the only building material which provides a positive answer to the above important questions, and is not an extra item in the building.

Used in outside walls as sheathing, replacing wood lumber; and on inside walls under plaster, replacing lath; Celotex gives these great advantages at little or no extra cost.

Naturally homes built with Celotex are better collateral. They cost less for upkeep—require less fuel to heat—suffer less depreciation—and readily sell or rent at a good price.

Already more than 60,000 progressive families have built with Celotex. The Celotex Company produces more insulation used for general building purposes than all other insulation manufacturers combined.

Ask your architect, contractor or lumber dealer to tell you more about Celotex. Leaders in these lines recommend its use. Have your secretary write for a copy of the Celotex Building Book. It explains house insulation fully.

**THE CELOTEX COMPANY, CHICAGO, ILLINOIS**

*Mills: New Orleans, La.*

*Branch Sales Offices in many principal cities*

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Specializing in organizing and extending plants, including the planning of new layout and equipment. All work done promptly and well.

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*Engineer*

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*Tel. Cortland 2142*

### SIX NEW VICE-PRESIDENTS FOR FIRST NATIONAL, CHICAGO

James B. Forgan has been elected a vice-president of the First National Bank of Chicago, of which his late father was head for a quarter century. Walter M. Heymann, president of the Liberty Trust and Savings Bank, Chicago, was also elected a vice-president of the First National. He will also continue as chairman of the board of the Liberty Trust.

A. N. Cordell, H. A. Anderson, and H. P. Snyder were advanced from assistant vice-presidents to vice-presidents; and Emil A. Stake, who has been in charge of the New York office of the First-Chicago Corporation, was elected a vice-president. A. B. Johnston was promoted to assistant vice-president. M. J. Hardacre and Albert G. Keck were made assistant cashiers.

In the First Trust and Savings Bank, William K. Harrison was promoted from assistant cashier to assistant vice-president; E. E. Schmus was appointed assistant cash-

ier; and H. H. Benjamin and R. L. Grinnell were made assistant secretaries.

J. H. C. Templeton was made vice-president of the First-Chicago Corporation, and will succeed Mr. Stake in the New York office.

### ELECTIONS AT UNION TRUST, CLEVELAND

J. C. Royon of the law firm of Stearns, Chamberlain & Royon, has been elected vice-president of the Union Trust Company, Cleveland, O., to assist W. M. Baldwin, executive manager, in the management and operation of the estates trust department of the bank. Mr. Royon was born at Greenville, O., October 15, 1880. He attended college and law school at Ohio State University, Columbus, O., graduating in 1902 and started law practice in the office



J. C. ROYON

Recently elected vice-president of the Union Trust Company, Cleveland, O., where he will assist in the management of the estates trust department

of Stearns & Chamberlain, later becoming a member of the firm. At the time of the formation of the First Trust and Savings Company, Cleveland, he acted as legal consultant for that bank on matters having to do with wills and trusts.

Emil Joseph, who has practiced law in Cleveland for thirty-five years, specializing

in corporate and individual estate work, has been added to the trust committee of the company.

A. W. Lewis has been elected auditor; R. L. Williams, W. A. Hartford, and W. H. Freytag, assistant treasurers; C. A. Morgan, assistant secretary; and C. S. Bechberger, formerly assistant secretary, has been elected assistant vice-president.

**RECORD DEPOSITS IN MINNEAPOLIS SAVINGS BANK**

On January 14, 1926, the savings deposits in the Farmers and Mechanics Savings Bank, Minneapolis, Minn., passed the \$50,000,000 mark, and reached a total of \$50,299,209, according to Thomas F. Wallace, treasurer. This total represents accounts from more than 100,000 depositors. The bank claims the distinction of being the largest exclusively savings bank in the country, west of Cleveland.

**WHITFIELD VICE-PRESIDENT FEDERAL COMMERCE TRUST**

R. J. Whitfield has been elected a vice-president of the Federal Commerce Trust Company of St. Louis. He is in charge



**R. J. WHITFIELD**

Recently advanced from assistant treasurer to vice-president in charge of the municipal bond buying of the Federal Commerce Trust Company, St. Louis, Mo.



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*is calling You*

**GULF STREAM BREEZES**

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More than one hundred delightful resort hotels convenient to all-year bathing along miles of ocean beach, close to golf, tennis, polo, canoeing, motor boating, and the world famous fishing grounds of the Florida Keys.

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**CHAMBER OF COMMERCE**  
Miami Beach - - Florida

of the municipal bond buying, and was formerly assistant treasurer.

Mr. Whitfield joined the bond department of the National Bank of Commerce in St. Louis, of which the Federal Commerce Trust Company is a part, five years ago. He was educated in the University of Mississippi and Johns Hopkins, and studied law in the University of Texas.

**THOMPSON SAVINGS BANK'S CORN SHOW**

Two years ago a vice-president of the Thompson Savings Bank, Hudson, Mich., was told by a corn breeder that the farmers in that community could nearly double their yield of corn by selecting pure bred, fertile seed, bred for productiveness. That was the first inking the people of that section had had that corn could be bred for higher yielding qualities—and corn is the most important crop of the community. Impressed with the idea, after consultation with the

Even the best bank advertising can be made better.

— Send for and see Reed's Mass-color Plan for '26.

**P. M. REED**  
 & Banker Associates

TRIBUNE TOWER  CHICAGO

state agricultural college, the bank decided to establish a corn show, to encourage the growing of better corn. Considerable newspaper advertising and personal appeals were necessary, in addition to the offering of liberal cash prizes, to interest the farmers enough to select corn for an exhibit. Removable trays were constructed and set up in the lobby of the bank, to hold the displays of corn. The agricultural college provided judges, who spent two or three days at the show, answering all questions asked by the farmer clients of the bank—about the selection of seed corn, how to breed for productiveness, how to eradicate corn diseases, etc. The judges explained to interested groups how they could, by “ear row testing” their seed corn, produce a strain of corn that would yield nearly 130 bushels of shelled corn per acre instead of thirty or forty bushels, which is about the average yield.

This began two years ago, and the bank has held a corn show every year since. The result of these efforts show in the fact that using “ear row testing” this year one of the local farmers produced 119 bushels of shelled corn per acre. Two ears of corn looking equally good are often shown by the “ear row test” to vary widely in productiveness. At the third annual show, held in November, 1925, according to W. R. Thompson, vice-president of the bank, the exhibits were very superior in type and quality to the entries of either of the former years.

#### CHANGES AT GUARDIAN TRUST, CLEVELAND

Allan B. Cook, manager of the business extension department Guardian Trust Company, Cleveland, O., has been elected a

vice-president. Before his coming to Cleveland, two years ago, Mr. Cook was for five years with the Bankers Trust Company, New York, and later, assistant secretary of the Asia Banking Corporation, New York. He is author of a book, “Financing Exports and Imports,” and a member of the publicity committee of the Trust Company Division of the A. B. A.

T. F. Buzard, H. J. Coates and O. H. Gray, assistant trust officers have been made assistant secretaries; E. L. Neuswander, chief clerk in the bond department, has been made an assistant treasurer; and R. R. Emmick, of the estates department, has been made an assistant trust officer.

Paul A. Sihler, assistant manager of the



ALLAN B. COOK

Recently advanced from manager of the business extension department to vice-president Guardian Trust Company, Cleveland, O.

bond department, has been advanced to manager.

During 1925 the Guardian Trust added \$274,708 to its undivided profits account, due to the steady growth in practically all departments.

## *Our prices—Less than you think*

Send for our estimate blank so that you may receive samples and prices of the best Christmas Club supplies in the world

### **OUTCAULT ADVERTISING COMPANY**

**221 EAST 20th STREET, CHICAGO, ILL.**

#### **PROMOTIONS AT FIRST WISCONSIN BANKS**

George B. Luhman, trust officer of the First Wisconsin Trust Company, Milwaukee, Wis., has been elected vice-president, succeeding Clyde H. Fuller, resigned. J. W. Campbell and Oliver O. Barth were named assistant secretaries. The capital stock of the company was increased from \$800,000 to \$1,000,000 by transferring \$200,000 from surplus. Capital stock and surplus both stand at \$1,000,000 each.

R. E. Wright, advertising manager of

the First Wisconsin National Bank, has been elected assistant vice-president.

#### **BATES NEW HEAD OF FIRST TRUST, AKRON**

George D. Bates, senior vice-president the First Trust and Savings Bank, Akron,



**GEORGE B. LUHMAN**

Recently advanced from trust officer to vice-president First Wisconsin Trust Company, Milwaukee, Wis.



**GEORGE D. BATES**

Newly elected president First Trust and Savings Bank, Akron, O. Mr. Bates is a son of the founder of the bank, and has been with the bank for forty-one years, serving lately as senior vice-president

O., has succeeded C. I. Brunner as president. Mr. Brunner has been made chairman of the board.

Other changes include the following pro-



motions: T. S. Eichelberger from assistant treasurer to secretary, and Howard Merryweather from assistant treasurer to treasurer.

The new president is the son of the founder of the bank, which was originally incorporated in 1855, as the private banking house of George D. Bates and Company. He has been with the bank for forty-one years, beginning as a messenger, and advancing through all the departments to his present post at the top.

The First Trust and Savings Bank has over 50,000 customers, and total resources of about \$33,000,000.



## Western and Pacific States

*Comprising North Dakota, South Dakota, Nebraska, Kansas, Montana, Wyoming, Colorado, New Mexico, Oklahoma, Washington, Oregon, California, Idaho, Utah, Nevada, Arizona, and Alaska.*

### CONVENTION DATES

California Bankers Association—at San Francisco, May 26-29.

Washington Bankers Association — at Walla Walla, June 8-10.

South Dakota Bankers Association—at Watertown, June 15-16.

Colorado Bankers Association—at Greenwood Springs, June 25-26.

American Bankers Association—at Los Angeles, October 4-6.

New Mexico Bankers Association—at Roswell, October 22-23.

### CHANGES AT CITIZENS BANKS, LOS ANGELES

O. Rey Rule, vice-president Pacific Finance Corporation, and John G. Mott, president Los Angeles Bar Association, have been elected to the board of the Citizens Trust and Savings Bank, Los Angeles. F. E. Forker has been elected vice-president and superintendent of branches; Frank C. Mortimer, vice-president; and F. B. Gonzales, assistant vice-president.

C. Sumner James, who is also a vice-president of the Citizens Trust and Savings Bank, has been elected a vice-president of the Citizens National Bank, Los Angeles. Chester A. Rude has advanced from assistant vice-president to vice-president.

The deposits of the Citizens banks have shown remarkable progress during the past few years; an increase of 17 per cent. in deposits took place during 1925, and combined resources now amount to \$118,000,000.

### BIG MERGER PROJECTED

R. E. Miller, president Liberty Bank, San Francisco, Calif., recently announced that arrangements have been completed for



Left to right: Chester A. Rude, Frank C. Mortimer, and C. Sumner James, vice-presidents Citizens National Bank, Los Angeles, Calif. Mr. Rude was recently advanced from assistant vice-president to vice-president; Mr. Mortimer has recently been elected vice-president of the Citizens Trust and Savings Bank also; and Mr. James, already a vice-president of the Citizens Trust and Savings, recently became a vice-president of the Citizens National

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the merger with the Liberty Bank of the Bank of America, Los Angeles, Calif. It remains for the merger to be approved by the State Superintendent of Banks. The new institution will be one of the strongest in the state. The Liberty Bank is the subsidiary of the Bancitaly Corporation that has been growing so rapidly of late.

#### KEMPER SUCCEEDS McLUCAS IN COMMERCE TRUST

A. F. Adams, chairman of the board of the Commerce Trust Company, Kansas City, Mo., since 1922, has given up his active executive duties at the bank, in order to devote his attention to the interests of Theodore Gary & Co., of which he is president. He retains, however, chairmanship of the executive committee.

W. S. McLucas, for the last three years president of the bank, has succeeded Mr. Adams as chairman of the board. James M. Kemper has succeeded Mr. McLucas as president, and Albert Newman has succeeded Mr. Kemper as executive vice-president.

Mr. Kemper has been associated with the

bank since 1917, with the exception of a period of about eighteen months when he



W. S. McLUCAS

Who has succeeded A. F. Adams as chairman of the board of the Commerce Trust Company, Kansas City, Mo.



**JAMES M. KEMPER**

The new president of the Commerce Trust Company, Kansas City, Mo.



**ALBERT NEWMAN**

Vice-president Commerce Trust Company, Kansas City, Mo., who has recently been advanced to executive vice-president

was engaged in investment banking with the National City Company in California. He has been successively assistant treasurer, treasurer, and vice-president of the bank, having been elected to the latter office in 1922.

Mr. Newman has had a banking experience of about twenty years as an officer of several banks in Kansas and Missouri, and as a national bank examiner in Kansas, Oklahoma, and Texas. He has been with the Commerce Trust Company since September 1919.

#### NEW DIRECTORS OF CALIFORNIA TRUST

Five new directors have been added to the board of the California Trust Company, Los Angeles, Calif: Godfrey Edwards, president Edwards & Wildey Co.; R. D. Mathews, comptroller Union Oil Company; Moyer Stephens, of the firm of Stephens & Stephens, attorneys; Elvon Musick, of Musick, Burr & Pinney, attorneys; and Lewis E. Bliss, vice-president California Bank.

#### MID-WEST SAVINGS CONFERENCE

H. C. Brent, president Fidelity Trust and Savings Bank, Kansas City, Mo., and chair-

man in charge of arrangements for the Mid-West Savings Conference of the A. B. A. to be held in Kansas City, March 4-5, announces that the speakers will include Frank P. Bennett, editor of the *United States Investor*; Thomas F. Wallace, treasurer Farmers and Mechanics Bank, Minneapolis, and president of the Savings Bank Division; W. Espey Albig, deputy manager of the division, and Miss Lulu A. Grogan of Duluth, Minn. The addressess will discuss the school savings plan, and various ways of making the work of the A. B. A. and the division effective.



## Dominion of Canada

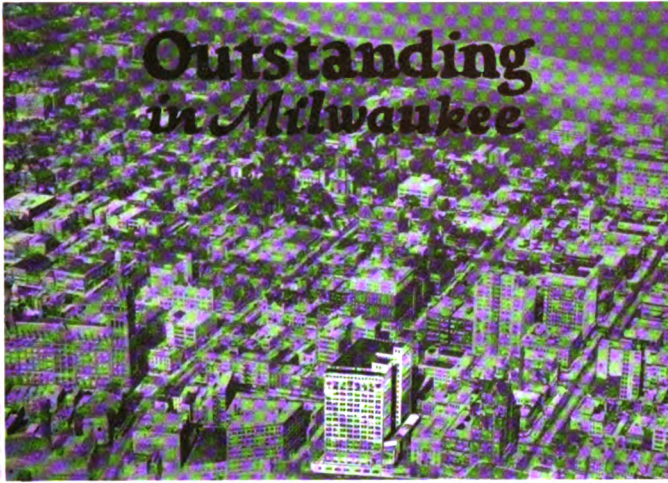
*Nova Scotia, New Brunswick, Quebec, Ontario, Manitoba, Saskatchewan, Alberta, British Columbia, Newfoundland, Prince Edward Island, and Yukon.*

#### ECONOMIC CONDITIONS IN CANADA

By J. W. Tyson

**A** NNUAL reports of banks and other financial institutions and industrial corporations now appearing indicate an improvement in business conditions in 1925.

## Outstanding in Milwaukee



# FIRST WISCONSIN NATIONAL BANK

CAPITAL AND SURPLUS TEN MILLION DOLLARS

This improvement evidently occurred during the latter months of the year following the assurance of profitable farm crops. The advance in the stock market which has taken place is obviously out of proportion to the improvements indicated in these reports and the deduction may, therefore, be made that further improvement may be reasonably anticipated during the first half of 1926 at least. The statements being published are by no means uniform and indications are not lacking that the very unsettled political situation is having its effect particularly on those industries which have been built up behind the protective tariff. There is evidence that in many lines importations are preventing the Canadian manufacturer from getting the full benefit of the improved buying power of the community. The business community generally would like to see another federal election which would have the effect of ending the present uncertainty and would probably result in a return of a government with a majority sufficient to enable it to tackle national problems in an effective way.

Various phases of improvement in the

situation have been dealt with by leaders in the banking world at the annual meetings of the chartered banks. Sir John Aird, president of the Canadian Bank of Commerce, Toronto, made reference to the fact that the improvement resulting from the very satisfactory harvest after the first half of the year had proved disappointing. He brought out the interesting point that the present generation of business men have been trained in a sellers' market and have to adapt themselves today to a buyers' market. He declared that the financial consequences of the war are by no means over and that the relation between consuming power and income at the present time is a very delicate one in the case of many. Not only is there a large body of consumers whose incomes have not been adjusted to the present level of prices and are not likely to be so adjusted for some time to come, if ever; but it is also probable that at no time in the history of the world have so many nations been forced, by circumstances beyond their control, to seek the cheapest market in which to buy. To these facts was due the hesitancy of the

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market in the years since the war. W. G. Gooderham, president of the Bank of Toronto, Toronto, emphasized the need for increased population as a basis for better business, with greater production and increased foreign trade. With regard to the decline in bank loan figures, he stated that the falling off was not so much a sign of lessened activity as of continued liquidation of debts, the public financing by industrial corporations, and the smaller volume of money used in the handling of western grain crops through the operation of the grain pools. The great expansion of the power industry in Canada was mentioned by Sir Herbert Holt, president of the Royal Bank, Montreal, as one of the factors in the business situation. The per capita power production in Canada is nearly twice that of the United States, and Sir Herbert saw evidence that the country was at last awakening to the real importance and value of power in the development of home industries. He referred to the need of conserving natural resources and prohibiting

the export of power in order to bring about industrial development within the country. Sir Herbert also referred to the heavy tax burden being carried by the Canadian people, pointing out that the total taxes paid in Canada in 1923 amounted to nearly twice the value of Canada's wheat crop and practically one-quarter of the country's net production.

Heads of the Canadian textile companies point to the reduction in duties on textile products and increased imports from European countries as having a direct effect on Canadian textile plants. Not only do the Canadian manufacturers face materially higher costs because of wages paid to maintain the country's higher standard of living, they point out, but also as the result of depreciation of European currencies these foreign products can be brought in at a very low price in Canadian money, with the present tariff offering no effective protection. So serious has this competition of cheaply made European textile products become that one big Canadian concern at least has been considering the advisability of establishing a plant in Europe to take advantage of cheap labor and other conditions favorable for making such products for the Canadian market. Such a project would be merely on the basis of ability to compete with foreign manufacturers now enjoying these favorable conditions in shipping their goods into Canada.

While the financial authorities in the United States are giving a great deal of consideration to the credit situation, and particularly to the effect of the extensive adoption of the instalment selling plan, there is no indication that as yet Canada is finding a demand for money in keeping with the supply. The government returns of the chartered banks indicate that at no time in the country's history has there been such a large surplus of savings deposits over current loans. There is evidently plenty of capital available to finance sound business expansion. As to the instalment selling situation itself, the Canadian bankers feel that it has not reached anything like the proportion in Canada that it has in the United States and that there is nothing to be apprehensive about in the situation in Canada.

The effect of a determination on the part of taxpayers to curtail municipal expenditures is to be found in the general defeat of money by-laws in the recent elections. Annual statements of scores of municipali-

ties throughout the country show a decided tendency to curtail. Estimates are being pared down more assiduously than for some years. This evidence of appreciation of taxpayers that they must pay for public expenditures has not, however, as yet had its effect in regard to the federal Government, voters in one part of the country evidently believing that they can get public works carried out at the expense of voters in other parts of the country. The fact that municipal borrowings in Canada in 1925 were less than \$50,000,000 as compared with \$86,000,000 in 1924 is evidence of the tendency referred to. Borrowings of provincial governments also showed considerable reductions. British Columbia has passed legislation to reduce the rates on income. The federal Government is promising tax reduction, but thus far nothing definite has been done to equalize the situation between residents of this country and of the United States.

The tendency towards amalgamations and mergers looking to the reduction of the cost of distribution as between farmers and manufacturers and consumers has been responsible for a number of several important trade developments. One of these has been the formation of the Federated Distributors, Ltd., a buying group of some twenty-four retailers. The twenty-four firms in this group have a buying power of about \$10,000,000 a year. As the result of this move these stores expect to be in a better position to compete with the chain stores and the mail order houses.

The Canadian cattle industry is greatly interested in the talk at Washington of a reduction in the American tariff on Canadian livestock. The American market would be a great asset to the raisers of cattle in Canada but the point is made that it would be a doubtful advantage without assurance that it would have permanency and would not again be closed at the whim of a new administration. During the war this market was opened to Canadian cattle and heavy exports were made. Prior to that, Canadian breeders had produced a finished type for export to the British market. When the Fordney tariff was imposed, it meant that the Canadian farmer had to again produce a type suitable for the British market. This has taken about five years and the Canadian stock raiser is only now noting a recovery from the depression following the closing of the

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American market and the sacrifice of cattle suitable for shipment there.

In the pork packing industry Canada also faced a difficult situation after the war. During the conflict it was a case of quantity rather than quality and Canadian bacon lost its high standing on the British market. After the Armistice, Denmark was in a position to step in with a quality product and Canada had to launch into a campaign which went right back to the farm and educated the farmer as to the type of bacon hog to produce. It took a couple of years to work out the change but Canada is today in a position to export considerable quantities of bacon of quite as good a quality as that of Denmark.

#### LAMB VICE-PRESIDENT OF BANK OF TORONTO

Appointment of General Manager John R. Lamb as vice-president and director of the Bank of Toronto, Toronto, was announced at the annual meeting of sharehold-

ers recently. In analyzing the business outlook, Mr. Lamb made pointed reference to the uncertain political outlook. He observed that political matters should be avoided, preferably on such occasions as meetings of bank shareholders, but maintained that it was a matter of grave concern, and that every question should be considered and decided from the standpoint of good business, rather than from the standpoint of good politics.

#### BANK OF COMMERCE

An increase in profits and a well-maintained position in the industrial and commercial life of the country, are features of the annual report of the Canadian Bank of Commerce, which will, no doubt, be found satisfactory to the shareholders, and will in some measure, explain the marked advance which has taken place in the shares of this institution during recent months. Interest bearing deposits have grown, and demand deposits are much larger. The liquid position has been strengthened in the direction of larger investments in gilt-edge securities. The net profits of \$3,487,213 compared with \$3,424,722 in the previous year.

The bank's assets increased by over \$15,000,000, and stand at \$525,312,445. The most notable increase in deposits was in non-interest-bearing accounts. The total under this category is shown at \$121,526,485, as against \$105,464,978 for the preceding year. Deposits bearing interest stood at \$298,330,941, an increase of nearly \$700,000.

Quick or readily available assets, consisting of cash, bank balances, securities

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and call loans, have increased to \$262,303,-763 from \$240,759,083 a year ago. It is noted that, although last season's western grain crop was one of the largest on record, the bank—which has a large share in the financing of the movement of the grain crop each year—did not find it necessary to borrow from the Government under the provisions of the Finance Act.

**BANK OF TORONTO**

Increased profits for the year ending November 30, 1925, are reported by the Bank of Toronto, Toronto. These are shown at \$1,012,964, against \$968,204 for previous year—an increase of \$44,759.

During the year the deposits have increased from \$77,883,671 to \$94,710,197, an increase of \$6,826,525, representing a very substantial patronage by the public.

The bank's total assets have increased from \$103,508,897 to \$110,966,887, a growth of \$7,457,990 for the year. The proportion of immediately available liquid assets shows a substantial and very satisfactory increase.

**ROYAL BANK'S GROWTH**

Partly as the result of the absorption of the Union Bank and a bank in South America, but also because of aggressive development within the whole organization, the Royal Bank of Canada, Montreal, in its annual statement for the year ending November 30, 1925, shows an increase in assets of nearly \$205,000,000 to a total of \$788,500,000. This indicates that the Royal is now a real contender for leadership among the Canadian banks in this respect. The figures from the October government return place the "big four" as follows, in respect to total assets:

|                   |               |
|-------------------|---------------|
| Royal .....       | \$764,884,576 |
| Montreal .....    | 755,147,876   |
| Commerce .....    | 490,921,798   |
| Nova Scotia ..... | 241,694,593   |


The increase in total assets was due to the absorption of the Union to the extent of about \$105,000,000, leaving about \$100,000,000 representing expansion in other directions. The merger probably accounts for the great bulk of the increase of \$42,350,000 in current loans in Canada, but in

FIFTH AND SPRING

# CITIZENS NATIONAL BANK

LOS ANGELES

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IN THE CENTER OF BUSINESS ACTIVITY

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# CITIZENS

## TRUST & SAVINGS BANK

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BRANCHES THROUGHOUT LOS ANGELES

addition the current loans in other countries expanded \$36,350,000 and call loans in Canada and abroad by \$17,360,000 and \$21,000,000 respectively.

Increased business was also reflected in the profit and loss statement. Profits for the year amounted to \$4,061,628 as compared with \$3,878,976 for the year 1924.

**DOMINION BANK'S STATEMENT**

Profits of the Dominion Bank, Toronto, for the year ended December 31, 1925, after deducting charges of management and making full provision for bad and doubtful debts, amounted to \$1,156,840. Quick or readily available assets, consisting of cash, bank balances, securities and call loans, stood, on December 31, 1925, at \$71,591,187, and total assets amounted to \$127,933,136. Capital, reserve and undivided profits amounted to \$14,204,370.





# What a Banker Thinks of Good Letters

**W**RITING in a recent number of *Printers Ink*, Charles R. Weirs, assistant vice-president of the National Shawmut Bank of Boston says that the "reason for getting nothing out of hundreds of letters is that nothing but bunk, bluster and bluff is put into them before they are sent to the man at the other end of the bargain."

By way of an example he writes:

The other day I ran across a stock letter, duly processed and with the name and address filled in, from a big organization with several millions in resources. It read as follows:

We thank you very much for the calendar which you sent us. It showed originality of thought and cleverness of design. It is always good to look at a real good piece of work.

Very truly yours,

The composer of this piece of work was so intent upon getting out an insincere form that he didn't even observe the use of "or" instead of "of" in his last sentence. Worst of all he tried to make up more or less of a cordial communication and then concluded it with a hackneyed "Very truly yours."

Imagine, if you please, a man so indifferent and so lacking in thoughtfulness as to send out the same kind of an acknowledgment for every calendar he receives. You might also go further and consider the absurdity of telling every man that his product embodies the same "originality of thought and cleverness of design" as the product of somebody else a thousand miles away.

Mr. Weirs gives several examples of what he considers to be good letters largely on account of their human and sincere qualities. Here is one that he gives as an example of the proper way to straighten out a tangle:

A careful review of the correspondence we have had with you with regard to your typewriter account proves most conclusively that we deserve the vigorous lambasting you gave us in your letter of recent date. It appears that we have played both the role of a bone-head and a blind man and as a result we have succeeded in getting you into a frame of mind where you believe we

are not entitled to either the confidence or the co-operation of intelligent people.

It is unfortunate that we have fallen so far short of the high opinion you have heretofore entertained of our business methods. It is doubly unfortunate that our people, up to this time, have failed to appreciate the clearness and fairness of your different requests. However, the fact remains that we fell down badly, and as a fancy excuse would be both weak and silly, we are most happy to go the limit by offering you a sincere apology, which we trust you will accept in the same generous spirit in which it is offered.

The instalment end of our business is a brand new venture. Its success thus far has gone away beyond our fondest expectations. These two statements will, doubtless, arouse your sympathy. They will, at least, help you to recall some of your own experiences in contending with new propositions which have insisted upon traveling in routes which you had not surveyed or expected at the beginning.

As for Mr. Johnson, whom you liken to a certain gentleman of colored extraction, we hold no brief; although it seems fair to tell you that his amiable character takes him out of the class of a pugilist. Best of all, he is a man with a fine conception of good service and one who would do you no injustice intentionally or otherwise. The fact that he has unconsciously lost your confidence is no reflection upon him personally, but rather upon those under his direction who have failed, for some reason or other, to follow his efficient instructions.

We have now said more than we intended. Perhaps we have said too much. In any event, the tone of our advice will probably satisfy you that we are in a penitent mood for not measuring up well in our handling of your typewriter transaction, as we are for all of the unnecessary annoyance to which we have subjected you.

Your typewriter account, amounting to a total of \$60, which included insurance, was originated on July 23, 1924. The total of your payments and credits to date amount to \$34.50, which, deducted from the original amount of your account, leaves a balance in our favor of \$25.50.

Please compare the above with your records and then write us promptly in case there are any discrepancies.

In the meantime you have our thanks for the frankness of your letter and the opportunity it has given us to make some needed reforms in our service.

# Some Recent Bank Building Operations

SPECIAL

**THE BANKERS  
MAGAZINE**

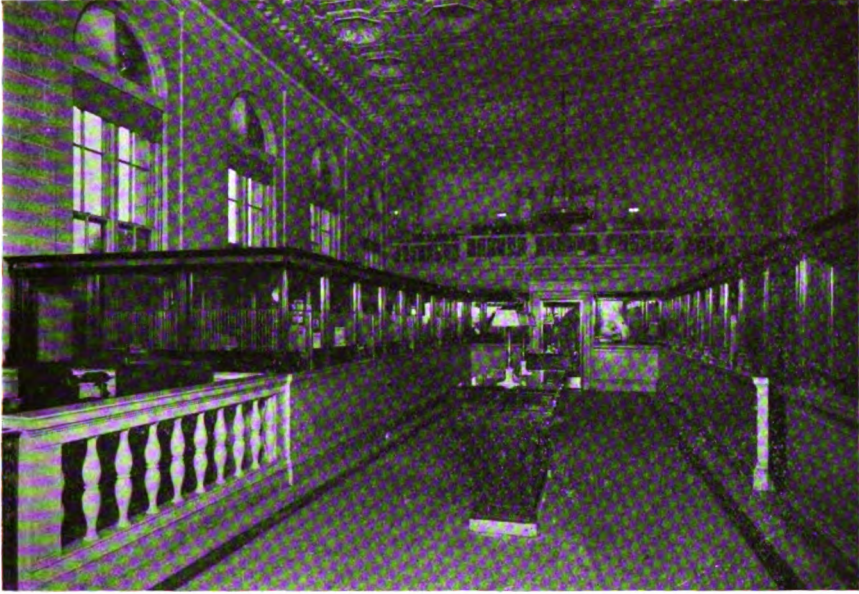
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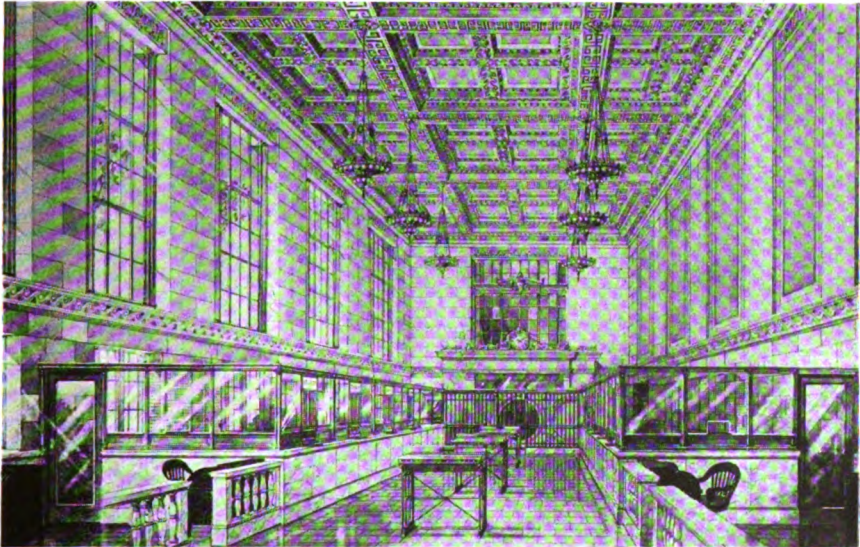
*The most recently opened office of the Equitable Trust Company, New York, at 79 Madison avenue, to be known as the Twenty-eighth street office.*



*The building recently completed for the Wayne National Bank, Goldsboro, N. C., designed by Alfred C. Bossom, bank architect, New York.*



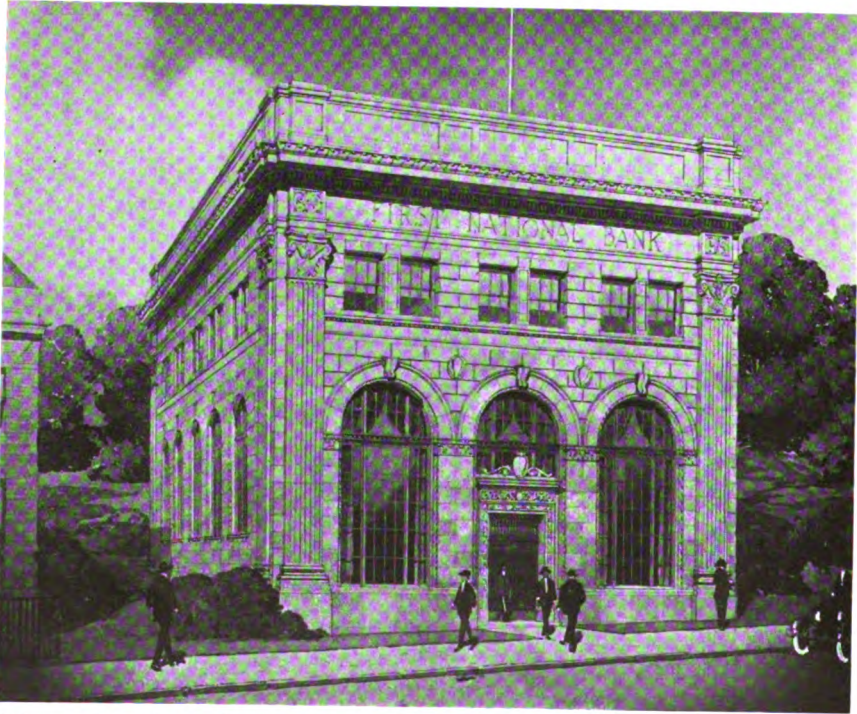
*The main banking room of the recently completed Wayne National Bank, Goldsboro, N. C., designed by Alfred C. Bossom, bank architect, New York.*



*The interior of the Peoples National Bank and Trust Company, Lynbrook, N. Y., well lighted and spacious, providing an appropriate setting for the equipment. The building was planned by and is being constructed under the supervision of Morgan, French & Co., Inc., bank architects and engineers, New York.*



*A view in the Federal Reserve Bank, Cleveland, O., showing Acousti-Celotex ceiling used for acoustical correction.*



*The architects' drawing of the new building under construction for the First National Bank, Tuckahoe, N. Y. The building was planned by and is being constructed under the supervision of Holmes & Winslow, bank architects, New York.*



*The beautiful Federal Reserve Bank building of San Francisco, Calif., is equipped with steel casement windows which were installed by the Crittall Casement Window Company of Detroit. The architect for the building was George W. Kelham.*



*The one story, classical design building of the First National Bank, Ramsey, N. J., designed by Purdy & Davis, architects, New York. The large windows provide plenty of display space for window advertising.*



*Architects' drawing of the new building for the Bank of Charleroi and Trust Company, Charleroi, Pa. The fluted pilasters and the heavy courses of granite at the top give the building an effective appearance of stability and strength. It was designed by Hopkins & Dentz, architects, New York.*

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# BOOK REVIEWS AND NEW BOOKS

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**THE ANALYSIS OF FINANCIAL STATEMENTS.**  
By H. G. Guthmann. N. Y.: Prentice-Hall. \$5.

**FINANCIAL STATEMENTS AND THEIR ANALYSIS.** By F. A. Martinetti. Tacoma, Washington. Smith-Digby Co. \$1.

Mr. Guthmann has, in his book, made an interesting combination of the theoretical and practical. He has laid down principles for the analysis of statements, and then has by numerous specific examples, shown how these principles are to be used in the actual work of analysis. The whole first part of the book is devoted to the principles of statement analysis, beginning with the place of financial statements in modern business. "After the executive," he says, "there is probably no one quite so interested in the details of the finances of an enterprise as the banker. The banker stands in a particularly confidential relation to his customer. Because of the narrow margin of profit in banking, caution is so necessary that it has become a proverbial characteristic of the banker. In general, the commercial banker discounts the notes of his customer for a short period, say, thirty to ninety days. He does not wish merely to be assured that these notes will be paid ultimately, but that they will be paid when they come due. . . . This means that the banker's analysis, in the first instance, should be thoroughly searching. He should extend credit only where the situation is fundamentally sound, even though the advance is in theory but temporary and then, if it becomes necessary to carry his customer along, he can do so with confidence." Mr. Guthmann does not contend that analysis of financial statements should be the only test of a credit risk. He admits the necessity and utility of agency reports and personal interviews, but, "The personal interview must be regarded as a supplement to, and not a substitute for, financial statements."

In discussing the analysis of statements, he begins with the construction of the various statements, and then takes them up, item by item, giving a great deal of attention to working capital, fixed assets and capitalization, and supplementary information.

Perhaps the most interesting part is the

chapter on "Internal Analysis by Ratio Studies." He discusses the utility of and the defects of all the commonly used ratios, including the so called "dynamic ratios" of Alexander Wall. The debt to net worth ratio, he says, "is fair only where the balance sheet is correct." This would seem to be obvious of all ratios, and of statement analysis itself. Certainly no analysis, no matter how careful it may be can be reliable, if based upon an incorrect or false statement. The whole structure of statement analysis is based upon reliable statements. And yet this warning about unreliable statements crops up frequently throughout the book. As for ratio study in general, its one fault, up to the present time "has been the tendency to regard averages as standards to be met. Yet these averages are frequently unrepresentative, in that the actual ratios are widely variant. . . . Ratios are valuable, however, in focusing attention upon the more important financial relationships."

The second part of the book is devoted to the analysis of railroad statements, gas manufacturing concerns, hydro-electric companies, mercantile and manufacturing corporations, mining statements, bank statements, insurance company statements, and holding companies' reports. It would seem that some of these; for example, gas manufacturing concerns and insurance company statements, are hardly widely enough used to deserve such extended treatment. However, they serve well as examples on which to demonstrate the principles set down in the first part of the book. The chapter on "Bank Statements" contains little that is new or particularly illuminating.

Mr. Guthmann brings to his subject the trained mind of a professor and the professional skill of a C. P. A. The result is a well organized, thorough, clear and interesting presentation of the subject of statement analysis, which should prove of some value to even the most experienced analyst.

Not as much can be said for Mr. Martinetti's booklet, although it is good in its way. It is intended merely as a rough guide to statement analysis, and refers more particularly to statements of small traders—those with \$20,000 capital or less. Mer-

*(Continued on page 352)*



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# Practical Books on Banking

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## The Paying Teller's Department

By Glenn G. Munn, lecturer, American Institute of Banking. 144 pages, 4½ by 6½. Bound in boards. Price, \$1.25.

The purpose of this volume is to present in a practical manner the functions of the paying teller and related departments in every phase—whether they occur in a city or country bank, or in the East or West. It is intended as a reference book to which the officers, paying tellers and other clerks may turn for guidance in answering questions which constantly arise with regard to cashing checks, certifications, reserve requirements, supply and disposition of money, tests for counterfeit money and raised bills, shipping currency, etc.

## The Bank Credit Investigator

By Russell F. Prudden. 200 pages. Cloth. Price, \$1.50.

This book was written primarily as a text-book for the beginner—the young man who is just starting in at bank credit investigation work. It is designed to give him an understanding of the importance of this branch of bank work, an appreciation of the necessity for tact and diplomacy, and by concrete example, to explain the various steps in the scientific investigation of a credit risk. Credit managers will find this book of the greatest usefulness in training the members of their staff and in helping them to avoid the errors that come from inexperience. Young bankers that expect to get into credit work should read this book in order to grasp the fundamentals of the work. It should be in every bank library.

## Bank Credit Methods and Practice

By Thomas J. Kavanaugh, vice-president, Mississippi Valley Trust Co., St. Louis, and lecturer at St. Louis University. Second edition, 241 pages. Illustrated with forms. 5½ by 8. Cloth, \$2.50.

This book contains an accurate description of the operation of a credit department in a modern bank, showing how credits are passed upon by the bank executive and how essential information is kept on file. It is useful not only to the banker but also to the business executive who is interested in learning the banker's attitude on what is and what is not a good credit risk.

## The Cause and Prevention of Bank Defalcations

By Martin K. Fowler, New Jersey State Bank Examiner. 150 pages. 4½ by 6½. Bound in boards. Price, \$1.50.

This book was written primarily as a means of pointing out to bank directors and officers their responsibility for the prevention of criminal defalcations. After many years of experience Mr. Fowler has reached the conclusion that most defalcations can be prevented by more diligence on the part of directors in removing both the desire and the opportunity for crime. In this book the author sets forth the causes and suggests methods for the prevention of bank defalcations.

## The Bank Agricultural Department

By R. A. Ward, general manager, Pacific Co-operative Woolgrowers; formerly vice-president, First National Bank of Bend, Ore., and member of the agricultural committee, Oregon Bankers Association. 4½ by 6½. Bound in boards. Price, \$1.25.

This book shows the bank serving an agricultural district how to organize a special department to serve the farming interests of the community. It tells why a service of this kind is profitable for the bank and how it can be of help to the bank's customers.

## Elements of Foreign Exchange

By Franklin Escher, special lecturer on Foreign Exchange at New York University. Ninth edition. 160 pages, 5½ by 8. Cloth, \$1.60.

This book is elementary and is designed for the reader who wants to get a clear idea of how foreign exchange works without going too deeply into technicalities. It gives a clear understanding of the causes which affect the movement of foreign exchange, its influence on the money and security market, etc.

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By T. D. MacGregor, vice-president, Edwin Bird Wilson, Inc. 104 pages, 4½ by 6½. Bound in boards. Price, \$1.25.

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## Commercial Paper

By W. H. Kniffin, Jr., vice-president Bank of Rockville Centre, N. Y. 174 pages, illustrated. 6 by 9. Cloth, \$2.50.

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## Encyclopedia of Banking and Finance

By Glenn G. Munn, author, "The Paying Teller's Department." Lecturer, American Institute of Banking. 600 pages. 7½ by 10½. Bound in cloth. Price, \$10.00.

This is the first encyclopedia of banking and finance to be published. It describes over 3000 terms relating to money, credit, banking practice and history, law, accounting and organization, foreign exchange, trusts, investments, speculation, markets and brokerage. Under one cover the author has compiled information taken from hundreds of different sources, alphabetically arranged so that the reader can turn to the subject in which he is interested with a minimum of time and effort.

A feature of this work is the inclusion of the text of such important legislation as the Federal Reserve Act, the Federal Farm Loan Act, the Agricultural Credits Act, the Negotiable Instruments Law, the National Bankruptcy Act, the Bill of Lading Act and the Cotton Futures Act.

Another valuable feature is the bibliography given at the end of each important topic, referring the reader to the various sources from which more detailed information can be obtained about the subject in which he is interested.

This book is useful for the bank executive as a handy work of reference, and to the student of banking as a means of acquiring a broad knowledge of banking subjects. Regular study of this book is recommended to those who would be well informed on banking. This book should be made available to employees in every bank in the country.

## Recollections of a Busy Life

By the late James B. Forgan, formerly chairman of the First National Bank, Chicago, De Luxe Autographed Edition, personally signed by the author. Only limited number still available. 335 pages. 5½ by 8½. Genuine leather. Price, \$6.00.

This is the life story of one of America's best loved bankers—told in a simple, unassuming and yet wholly captivating style. From the day that "Jamie" Forgan's grandfather walked three quarters of the two miles along the Five Seacoast with his youthful grandson before the latter embarked for Canada, to the day when James B. Forgan, banker, was summoned to the White House by Theodore Roosevelt to give the President his views on a national system for the

mutual guaranty of bank deposits which Mr. Forgan opposed as inimical to sound banking, is a period of over fifty years, not one of which the author considered too "busy" to enjoy to its fullest.

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This really remarkable book contains within its 550 pages the story of National Banking since the Civil War. It tells how the system was first put in operation and how it has been administered. Many interesting and significant incidents connected with National Bank supervision are here related for the first time.

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chandise, cash, accounts, receivable, notes receivable, fixtures, plant, machinery, and accounts payable are all treated briefly in the scope of forty-one small pages. The salient points are mentioned, but not enlarged upon or illustrated by examples. One interesting fact brought out is that in a falsified statement, most misstatements are among the assets. "Men who would never think of understating their liabilities," says Mr. Martinetti "will produce the same result by inflating their assets." It must be said, though, that the book is rather sketchy. It merely outlines the subject, but does not go into it deeply enough to prove of much value to experienced bankers.

+

**PRACTICAL BANKING.** By Gerald W. Jamieson. N. Y.: McGraw-Hill. \$2.

MR. JAMIESON says in his preface that he has written "Practical Banking" for those who are engaged in or who are learning the banking business, for those who have close contacts with banking procedure, and for use as a text in secondary schools and colleges. If he had undertaken to write a book for any one of these groups of people, it might have been more successful, but it seems a hopeless task to give information about banking to the "layman," the banker, and the student, all in one volume.

He begins with the organization of a bank, and follows it with a chapter on deposits—how to get them, what their legal nature is, the forms used, etc. So far, so good. Then comes the chapter on loans and investment. In it are included the reserve requirements of Wisconsin, how to repair a depleted reserve, a summary of the advantages of commercial paper, a cataloguing of the various types of bonds, and a few paragraphs on agricultural loans; but nothing more specific on how banks should loan their funds than that "loans should be well distributed." The chapters on mortgages and on negotiable instruments are excellent from the legal standpoint, as are also those on contracts and agency, although these four chapters take up almost half the book. The chapter on collections is fairly complete, and one of the best in the book. Then, there is a brief explanation of the Federal Reserve System, quite

essential to a book of this kind. But it seems rather futile to include in this chapter provisions of the Federal Reserve Act that never came into force. In the chapter on bank statements and bookkeeping, there is a careful explanation of the various items in a bank statement, but practically nothing of the work of bookkeeping in the bank, and the problems a bookkeeper meets most frequently.

Finally, there is an excellent chapter on the human element in banking.

Mr. Jamieson has endeavored, so he says, "particularly to organize the facts bearing upon the technique of banking." He has not succeeded. What he has written is a book on banking theory and banking law, with a few chapters on the technique of banking included in it.

+

**FRENCH IN COMMERCE.** By Jean J. Labat. Chicago: A. W. Shaw Co. \$3.50.

As our foreign trade grows, it will be necessary more and more to learn to speak and write to the foreign peoples in their own languages. This applies to bankers interested in foreign financing as well as to import and export houses. It is encouraging to see that moves are being made to educate the young men entering business to do this—witness the courses in commercial French or German, etc., which are appearing in college curricula, and books like "French in Commerce." French is particularly useful in foreign intercourse, because, having been for so long the language of diplomacy it is probably more generally understood abroad than any other language.

"French in Commerce" is written with a definite aim in view—to train men to transact business in French. Its lessons and illustrations are all directed to that end, and external matter is excluded in so far as possible. It assumes a knowledge of elementary French, and proceeds from there to instruct the student how to write and acknowledge various kinds of business letters, how to transact a banking operation, how to frame a circular letter, etc. In doing this, however, grammatical rules and correct use of language are not neglected.

Finally, the book includes a vocabulary of trade terms and phrases, the metric system of weights and measures, and a number of selections for reading, giving information about various industries and customs of France. To the student who wants to learn

French for practical use, and not as an ornament for polite society, the book should prove very valuable.

+

ENGLISH, FRENCH AND GERMAN BANKING TERMS, PHRASES AND CORRESPONDENCE. Compiled by Herbert Scott. N. Y.: Bankers Publishing Co. \$3.25.

EVEN the most thorough knowledge of the rules of grammar and construction of a foreign language is not enough for carrying on a conversation or correspondence in that language, effectively. There are still many idioms, and phrases that go with various transactions and situations that must be learned. Hence the need for such a book as this "solely devoted to foreign correspondence as applied to banking," which is intended to supplement the textbooks on French and German commercial correspondence.

It contains 114 closely printed pages of banking terms, alphabetically arranged; with the English, French, and German equivalents in parallel columns. The appendix lists balance sheet items in English, French and German in parallel columns, gives the principle French banking and financial abbreviations, and includes a French-English vocabulary, a German-English vocabulary, and indexes of the French and German expressions.

"Experts in translating," says Mr. Scott in his preface, "are accustomed to the question 'This rendering seems to be good. What is wrong with it?' The difficulty is that in many cases there is present the uncomfortable feeling engendered by a knowledge that the foreign recipient will smile at the writer's ignorance of the correct term or expression. This small volume will have achieved its end if it is instrumental in assisting its user in cases of doubt." It should prove a valuable companion volume to "French in Commerce."

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JUNIOR BANK BOOK AND PICTURE PUZZLE. By Elizabeth Herbert Childs. N. Y.: The Platt & Munk Co., Inc. \$1.

THIS is a very interesting little book designed to help children to save. It contains four pages with circles cut in them to receive pennies, nickles, dimes, and quarters, respectively. Opposite each page is a verse carrying the thrift idea. As the child

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**BYWAYS AND BOULEVARDS IN AND ABOUT HISTORIC PHILADELPHIA.** By F. B. Brandt and H. V. Gunmere. Philadelphia: Corn Exchange National Bank. \$3.

A very beautiful auto-guide book to Philadelphia, compiled under the direction of the Corn Exchange National Bank of that city. It contains a chapter of historic facts about Philadelphia, another on the national government at Philadelphia, and twenty-six motor trips visiting various historic and interesting places in the city. The descriptions of the tours are handsomely illustrated with over 300 reproductions of prints, paintings, and photographs. Its purpose is, according to the bank, to "help to make Philadelphia better known to its own citizens and to visitors from afar." The Sesqui-Centennial International Exposition has designated the book as its official historic auto-guide; and, with its blue cover and gold stamping, it makes an attractive souvenir of the exposition.

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### Other New Books

- ANALYZING FINANCIAL STATEMENTS.** By Stephen Gilman. N. Y.: Ronald Press. \$3.50.
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- BUSINESS AND INVESTMENT FORECASTING.** By Ray Vance. N. Y.: Harper. \$2.50.
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**THE WHEAT PIT.** By Edward Jerome Dies. Chicago: Argyle Press. \$1.

**BUDGETING THE BUSINESS CYCLE.** By Joseph H. Barber. N. Y.: Ronald Press. \$1.25.

**PROFITABLE INVESTMENT.** By John Moody. N. Y.: B. C. Forbes Publishing Co.

**CASES ON BUSINESS LAW.** By Leslie J. Ayer. Seattle, Wash.: Univ. of Wash. Book Store. \$5.

**CASES ON FEDERAL TAXATION.** By J. H. Beale and Roswell Magill. N. Y.: Prentice-Hall. \$6.

**VAN DYKE'S IDEAL VEST POCKET BOND VALUE TABLES.** N. Y.: Financial Press. \$6.50.

**A FIRST COURSE IN STATISTICAL METHOD.** By G. Irving Gavett. N. Y.: McGraw-Hill. \$3.50.

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**GRAPHIC METHODS FOR PRESENTING BUSINESS STATISTICS.** By John R. Riggleman. N. Y.: McGraw-Hill. \$2.50.

**FINANCIAL STATISTICS OF CITIES HAVING A POPULATION OF OVER 300,000, 1923.** Dept. of Commerce, Bureau of the Census. Washington, D. C.: Government Printing Office. \$1.

**FOREIGN EXCHANGE.** By T. E. Gregory. N. Y.: Oxford Press. 85 cents.

**A HISTORY OF ECONOMIC PROGRESS IN THE UNITED STATES.** By Walter W. Jennings. N. Y.: Crowell. \$4.50.

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### Books Received

**DEBATE HANDBOOK (State Property Tax to Aid in the Support of an Eight Months School Term).** Chapel Hill, N. C.: Univ. of North Carolina Press. 50 cents.

**THE BRANCH BANKING QUESTION.** By Charles W. Collins. N. Y.: Macmillan. \$1.75.

**FEDERAL RESERVE BANKING PRACTICE.** By H. Parker Willis and William H. Steiner. N. Y.: Appleton. \$10.

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No. 3



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No. 3

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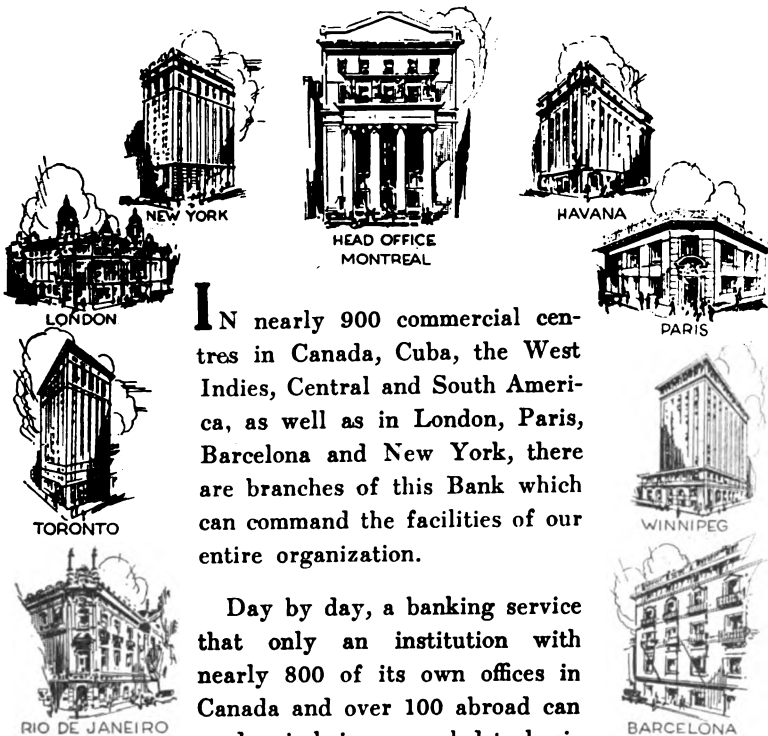
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| The writer does not believe "the customer is always right" but does believe that he is amenable to reason about his account that doesn't pay the bank for the service given. If he can be shown by facts and figures that it is unprofitable, he will either raise his balance, or willingly pay a service charge.   |      |
| <b>Educating the Public on Value of Life Insurance Through Scholarship Contest</b> .....   | 389  |
| To do this, the Union Trust Company, Detroit, Mich., has offered \$5000 in prizes for the best essays on "The Advantages of Life Insurance."   |      |
| <b>Banking and Commercial Law</b> .....  | 393  |
| Important decisions of current interest, handed down by state and Federal courts upon questions of the law of banking and negotiable instruments—Rights of Collecting Bank Where Drawee Bank Fails Before Check is Collected—Indorser Discharged for Lack of Diligence in Giving Notice of Dishonor—Person Permitting Shares of Bank Stock to Stand in His Name Liable as Stockholder on Bank's Failure. |      |
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| <b>Some Bank Credit Problems</b> .....   | 427  |
| The twelfth article in the Credit Editor's series on credit and credit department methods—this one on the analysis of "Other Current Assets" in the balance sheet; also the usual questions and answers.   |      |
| <b>Mid-Winter A. B. A. Trust Conference</b> .....  | 434  |
| At which another play illustrating trust work was introduced. There were addresses on internal administration of trusts, how to get new business, and the larger problems of the banker—extracts from which are reproduced.  |      |
| <b>Banking Publicity</b> .....   | 439  |
| "A Co-operative Campaign to Solve the Small Accounts Problem" by T. D. MacGregor—How Banks Are Advertising—Editorial Column—Who's Who in Bank Advertising.   |      |
| <b>Banking and Financial Notes</b> .....   | 44   |
| Including accounts of the Chase National—Mechanics and Metals merger, the National City-Peoples Trust merger—two mergers in Philadelphia—one in Camden—a description of a new stop payment machine—C. W. Barron's explanation of the Florida boom—a bank on wheels—and other items of interest to bankers.   |      |





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**H**ISTORY tells of an eccentric New Yorker who, in 1880, stipulated in his will that his 71 pairs of trousers should be sold at auction and the proceeds distributed to the poor. Records do not show how much the poor benefited, but the bidders were well rewarded. Later, each one found sewed in the lining of the trousers he had purchased a packet of bank notes totaling \$1,000.\*

We may smile at this incident but there is one point in favor of the man of many breeches. He had definite

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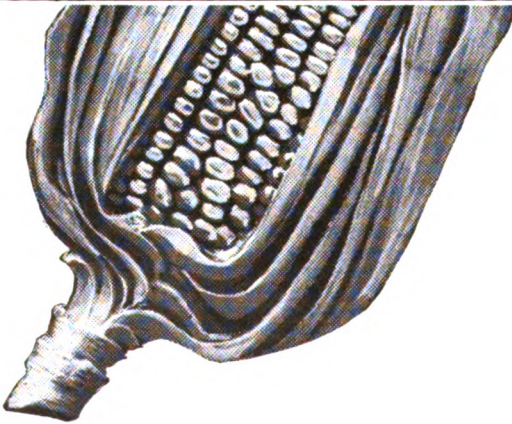
\*This incident is recorded in Virgil Harris' Book, entitled "Ancient, Curious and Famous Wills."



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## The Publisher's Page

**A**MONG contributors to the May number will be Charles M. Schwab, chairman of the Bethlehem Steel Corporation and Frank A. Vanderlip, distinguished financier and former head of the National City Bank of New York. THE BANKERS MAGAZINE will commemorate, in the June issue, the eightieth year of its establishment.



**A**MONG timely and interesting articles scheduled for appearance in early numbers of the magazine are included the following: "Wall Street's Responsibility to Main Street," "How Far Will the Bank Merger Movement Go?" "Getting \$1,120,483 in New Business at a Cost of \$3087," "Why a Comptroller?" "The Future of Foreign Banking in America," "Should the Federal Reserve Banks Be Rechartered Now?" and "Putting the Advertising Faker Out of Business."



**I**N the May issue will appear the first of a number of articles comprising a symposium of opinion on the subject "Capitalism—or What?" Contributors to this symposium will include Charles M. Schwab, Hartley Withers, internationally known as an authority on financial and economic subjects and former editor of the London "Economist," and Bertrand Russell, distinguished British economist and author of several widely read books and numerous essays on social and industrial questions.



**A**RTICLES in the April issue will include, "Can Banking Be Made Safer?" "Have You a Picture of Your Bank?"

"The Psychology of Embezzlement," and "What's Wrong With Our Banks as Employment Centers?"



**A**S an example of the esteem in which THE BANKERS MAGAZINE was held by its readers seventy-five years ago a paragraph from a letter received from Watts Sherman, cashier of the Albany City Bank, Albany, N. Y., in April, 1851, is reproduced here. Mr. Watts writes: "I am surprised to learn that there are so many banks in our state not on your subscription list. Now I might almost add my amazement that there should be a solitary one of sound character not eagerly availing itself of a work so useful and so valuable as I regard your Magazine. It will give me pleasure to promote its circulation by any means in my power. I heard it very highly spoken of in London when there recently, especially so by Mr. Gilbert, whose praise in that regard is worth having."



**C**OMING down to more recent times, the following letter, written seventy years later than Mr. Sherman's letter, which has been quoted from above, reflects modern opinion of THE BANKERS MAGAZINE as expressed by the vice-chairman of one of the country's great banks, David R. Forgan of the National Bank of the Republic, Chicago: "THE BANKERS MAGAZINE has been the authoritative organ of the great banking business for so many years, its influence has been so distinctly for conservative banking practice, and its leading articles so helpful to the banking fraternity that I am sure you will have the hearty congratulations of all bankers."

# =At the New York End

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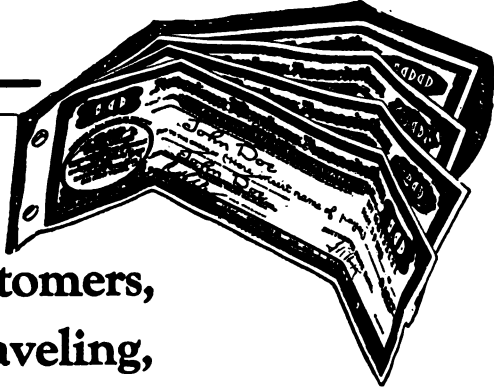
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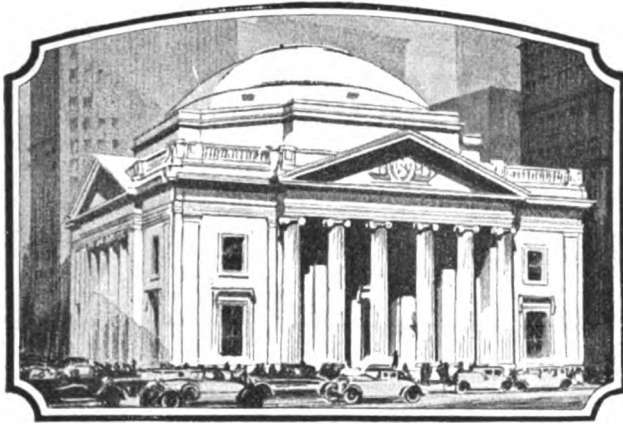
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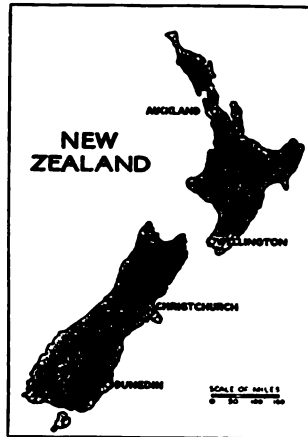
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General Manager, ALFRED JOLLY



83 Branches and Agencies Throughout New Zealand.

Bills of Exchange Collected. Wool and Produce Credits Arranged.  
 All Classes of Banking Business Undertaken.

# BARCLAYS BANK (DOMINION, COLONIAL AND OVERSEAS)

Head Office: 54 LOMBARD STREET, LONDON, E.C.3.

Formerly

## THE COLONIAL BANK

Incorporated in 1836 by Royal Charter.  
 Reincorporated by Act of Parliament, 1925.  
 with which is amalgamated

## THE ANGLO-EGYPTIAN BANK LIMITED

London Offices:

29 Gracechurch Street, E.C.3, for business in the British West Indies, British Guiana, and West Africa.

37 to 39 King William Street, E.C.4, for business in Egypt, the Soudan, Palestine, and the Mediterranean.

Other Offices:

Liverpool - - - 25 Castle Street. New York Agency, 3 So. William Street.  
 Manchester - - - 21 York Street. Hamburg - - - Adolphsplatz 4.

Arrangements are in course of completion for amalgamation with

## THE NATIONAL BANK OF SOUTH AFRICA LIMITED

The necessary Resolutions having been passed by the Shareholders of that Institution on the 2nd November, 1925.

London Offices:

Circus Place, London Wall, E.C.2. 111 St. Martin's Lane, Trafalgar Square, W.C.2.

New York Agency:

44 Beaver Street, New York City.

And Branches in the Transvaal, Cape Province, Natal, Orange Free State, Rhodesia, Swaziland, Portuguese East Africa, Basutoland, South West Africa, Tanganyika, Nyassaland, Kenya Colony, and the Mauritius.

The Bank is prepared to act as Agent for Home, Colonial, and Foreign Banks



# THE BANK OF TAIWAN, LTD.

Incorporated by Special Imperial Charter, 1899

**Head Office: TAPEH, JAPAN**

**Capital Subscribed.....Yen 60,000,000**  
**Capital Paid Up .....Yen 52,500,000**  
**Reserve Funds.....Yen 14,180,000**

**KOJURO NAKAGAWA, Esq.**  
 President

**HIROZO MORI, Esq.**  
 Vice-president

**Directors**

**GUNJI KAWASAKI, Esq.**  
**DENKICHI TAKITA, Esq.**

**TADASU HISAMUNE, Esq.**  
**MASAKAZU SHUTO, Esq.**

## *Branches :*

**JAPAN—Tokyo (General Manager's Office), Kobe, Osaka, Yokohama.**

**TAIWAN—Giran, Heito, Kagi, Karenko, Keelung, Mako, Nante, Shinchiku, Taichu, Tainan, Takao, Taito, Toyen.**

**CHINA—Amoy, Canton, Foochow, Hankow, Shanghai, Swatow.**

**OTHERS—Hongkong, London, New York, Singapore, Semarang, Soerabaia, Batavia, Bombay, Bangkok, Calcutta, Dairen.**

**New York Office: 165 Broadway**

**K. YAMAMOTO, Agent**

**London Office: 25 Old Broad Street**

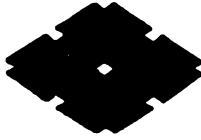
**Cable Transfers, Drafts, and Letters of Credit issued; the Negotiation and Collection of Bills of Exchange and other Banking Business transacted through our various Branches as well as correspondents in all parts of the world; offers exceptional facilities for handling transactions in the Far East.**



# The Sumitomo Bank, Limited

Cable address: "Sumitbank" ESTABLISHED 1912  
(Successors to The Sumitomo Bank)

Capital Subscribed . . . . . Yen 70,000,000  
Capital paid up . . . . . " 50,000,000



**Head Office : OSAKA, JAPAN**

**BARON K. SUMITOMO, President**

**K. YUKAWA, Esq., Managing Director N. YATSUSHIRO, Esq., Managing Director**  
**S. IMAMURA, Esq., Managing Director**

**New York Agency, 149 Broadway, New York**  
**G. HIGASHI, Agent**

**HOME OFFICES**

|             |            |               |          |           |          |
|-------------|------------|---------------|----------|-----------|----------|
| Osaka (12)  | Tokyo (15) | Yokohama      | Kobe (3) | Kyoto (2) | Niigata  |
| Shimonoseki | Moji       | Hiroshima (2) | Hakata   | Yanai     | Onomichi |
| Kurume      | Kure       | Wakamatsu     | Kokura   | Nagoya    | Kumamoto |
|             |            |               |          |           | Okayama  |

**Foreign Branches**—Shanghai, New York, London, Hankow, San Francisco, Los Angeles, Bombay  
**Affiliated Banks**—The Sumitomo Bank of Hawaii, Ltd., Honolulu, T. H.; The Sumitomo Bank of Seattle, Seattle, Wash., and The Sumitomo Bank of California, Sacramento, Cal.

**Bankers**—National City Bank of New York, New York;

Lloyds Bank, Ltd. London; Lloyds & National Provincial Foreign Bank, Ltd., Paris.

**Correspondents in All Important Places at Home and Abroad**

The Bank buys, sells and receives for collection drafts and telegraphic transfers; issues Commercial and Travellers Letters of Credit available in all important parts of the world, and acts as Trustee for Mortgage Bond, besides doing general Banking Business.

# THE MITSUI BANK, LTD.

Capital Subscribed . . . . . Yen 100,000,000.00  
Capital Paid-Up . . . . . Yen 60,000,000.00  
Reserve Funds (June 1925). . . . . Yen 51,400,000.00



**Head Office : TOKYO, JAPAN**

(No. 5 Honkawayacho, Nihonbashi-ku)

*President*

**G. MITSUI, Esq.**

*Managing Directors*

**S. IKEDA, Esq.**

**N. KIKUMOTO, Esq.**

**H. KAMESHIMA, Esq.**

**R. IMAI, Esq.**

**New York Agency, 61 Broadway, New York City**

*Home Branches :*

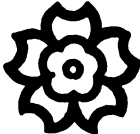
Fukuoka, Hiroshima, Kobe, Kyoto, Marunouchi (Tokyo), Moji, Nagasaki, Nagoya, Nihonbashi (Tokyo), Osaka (4), Otaru, Shimonoseki, Wakamatsu (Kyushu), Yokohama

*Foreign Branches :*

Bombay London New York Shanghai Sourabaya

# The Bank of Chosen

Incorporated by Special Charter of Imperial Japanese Government, 1909

|                          |   |                 |
|--------------------------|---|-----------------|
| Capital Subscribed . . . |  | Yen 80,000,000  |
| Capital Paid-Up . . .    |   | Yen 50,000,000  |
| Total Resources . . .    |   | Yen 660,000,000 |

## Head Office, Keijo (Seoul), Chosen (Korea)

Governor, K. NONAKA

Deputy Governor, S. SUZUKI

Y. KATAYAMA

*Directors*  
I. IUCHI

M. HASHIMOTO

### FOREIGN DEPARTMENT: TOKYO

(All communications relating to the arrangements of correspondents and the Bank's general foreign business to be addressed to the Foreign Department)

#### *Principal Branches:*

- CHOSEN: (*Korea*) Chemulpo, Pyengyang, Wonsan, Fusan, Taiku.  
 MANCHURIA: Mukden, Dairen, Changchun, Newchang, Harbin, Antung.  
 JAPAN: Tokyo, Osaka, Kobe, Shimonoseki.  
 CHINA: Shanghai, Tsingtao, Tientsin, Tsinan.  
 SIBERIA: Vladivostok.

**New York Agency, 165 Broadway**  
 H. YAMASHITA, Agent

# The Kajima Bank, Limited

Established in 1888

|                          |   |                   |
|--------------------------|---|-------------------|
| CAPITAL SUBSCRIBED       |  | Yen 30,200,000.00 |
| CAPITAL PAID UP . . .    |   | 18,875,000.00     |
| RESERVE FUNDS . . .      |   | 5,900,000.00      |
| DEPOSITS (June 30, 1925) |   | 172,915,129.34    |

**Yukinori Hoshino, Esq., Managing Director**  
**Seishichi Kawakami, Esq., Managing Dir.**  
**Hikotaro Ohmura, Esq., Director**  
**Shikazo Sato, Esq., Director**  
**Manroku Matsui, Esq., Auditor**

**Kelzo Hirooka, Esq., President**  
**Chusuke Yoshii, Esq., Managing Director**  
**Seihiro Glon, Esq., Director**  
**Tadanosuke Emura, Esq., Director**  
**Kyuemon Hirooka, Esq., Auditor**  
**Kin-ichiro Hoshijima, Esq., Auditor**

## Head Office, Osaka, Japan

### *Principal Branches:*

Tokyo Kyoto Kobe Okayama Hiroshima Fukuyama Tokuyama

**General Banking, Foreign Exchange and Trust  
 Business Transacted**

#### *New York Correspondents*

Yokohama Specie Bank, Ltd.  
 Bank of Taiwan, Ltd.  
 American Express Co.  
 Irving Bank-Columbia Trust Co.  
 Guaranty Trust Company of New York

#### *London Correspondents*

Yokohama Specie Bank, Ltd.  
 Bank of Taiwan, Ltd.  
 Midland Bank Ltd.  
 Bank of London and South America, Ltd.

# SKANDINAVISKA KREDITAKTIEBOLAGET

Established in 1864

GOTHENBURG      STOCKHOLM      MALMÖ

Branches  
In All Parts of Sweden

PAID-UP CAPITAL AND RESERVES  
KR. 182,000,000

Telegraphic Address: Kreditbolaget

Foreign Exchange bought and sold, bills collected, deposit  
and current accounts opened and all kinds of banking  
business transacted

## Commercial Bank of Greece

(A Limited Liability Company registered in Athens)

*Head Office: Athens*

*Branches: Piraeus, Argos, Pyrgos, Patras, Corfou, Cephalonia, Nauplie,  
Vostizza, Calamata, Syra, Chio, Candia, Volo, Salonica, Larissa,  
Triccala, Mytilene, Canea, Zante, Plomari and Tripolitza*

*ASSOCIATED BANK in LONDON*

## The Commercial Bank of The Near East, Ltd.

4 London Wall Buildings, E. C. 2

*with branch in CONSTANTINOPLE*

*Correspondents in the principal towns of Greece and in foreign countries  
throughout the world*

**GENERAL BANKING BUSINESS TRANSACTED**

Collections, Letters of Credit, Cable Transfers, Current  
and Term Deposits, Etc.

**Capital and Reserves . . . Dr. 58,106,143**

of the above Dr. 25,000,000 are represented by assets of £1,000,000 evaluated at Dr. 25

# Nederlandsche Handel-Maatschappij.

(NETHERLANDS TRADING SOCIETY).

Established by Royal Charter A.D. 1824.

Capital Paid up.....f.80,000,000 Neth. Currency (£6,666,666)  
 Statutory Reserve Fund.....f.20,536,861 “ “ (£1,711,405)  
 Extraordinary Reserve Fund f.22,660,000 “ “ (£1,888,333)

Head Office: AMSTERDAM.

Branches in HOLLAND: ROTTERDAM, THE HAGUE.

Branches in the NETHERLANDS INDIES: BATAVIA, SOURABAYA, SAMARANG, MEDAN, and further Principal Ports.

Branches in the STRAITS SETTLEMENTS, BRITISH INDIA, CHINA and JAPAN: SINGAPORE, PENANG, RANGOON, CALCUTTA, BOMBAY, HONGKONG, SHANGHAI and KOBE.

Grant Drafts and Issue Letters of Credit on all their Branches and Correspondents in the East, on the Continent, on Great Britain, Africa, America and Australia, and transact Banking Business of every description.

LONDON CORRESPONDENTS:

The National Provincial Bank, Ltd., LONDON.

# The Union Bank of Australia, Limited

Established 1837. Incorporated 1880.

Capital Authorized and Issued.....£9,000,000  
 Capital Paid-Up .....£3,000,000  
 Reserve Fund .....£3,350,000  
 Reserve Liability of Proprietors £6,000,000

Head Office—71, CORNHILL, LONDON, E. C. 3

Manager—W. J. ESSAME Assistant Manager—W. A. LAING  
 Secretary—F. H. McINTYRE

193 Branches throughout Australia and New Zealand, viz.:

In Victoria, 47; In South Australia, 15; In New South Wales, 43; In Western Australia, 20; In Queensland, 19; In Tasmania, 3; In New Zealand, 46.

Agents and Correspondents in all parts of the World

The Bank offers facilities for the transaction of every description of Banking business in Australia and New Zealand.

Bills negotiated or sent for collection. Commercial and Circular Credits issued available throughout the World.

# MIDLAND BANK

LIMITED

Established 1836

*Chairman:*

THE RIGHT HON. R. McKENNA

*Joint Managing Directors:*

FREDERICK HYDE      EDGAR W. WOOLLEY

## Statement of Condition

*December 31st, 1925*

### RESOURCES

\$5 = £1

|   |                |
|---|----------------|
| Cash in hand and Due from Banks.....\$                            | 353,083,306.00 |
| Money at Call and Short Notice.....                               | 93,396,746.73  |
| Investments .....   | 173,956,378.69 |
| Bills Discounted .....  | 209,440,111.23 |
| Advances .....  | 983,737,739.21 |
| Liabilities of Customers for Acceptances<br>and Engagements ..... | 178,738,950.52 |
| Bank Premises .....   | 33,185,847.18  |
| Investments in Affiliations .....                                 | 31,889,753.89  |

### LIABILITIES

|                                   |                  |
|-----------------------------------|------------------|
| Capital Paid up .....             | 63,326,920.00    |
| Surplus .....                     | 63,326,920.00    |
| Deposits .....                    | 1,752,036,042.93 |
| Acceptances and Engagements ..... | 178,738,950.52   |

Together with its affiliations the Midland Bank operates 2,300 branches in Great Britain and Northern Ireland, and has offices in the Atlantic Liners *Aquitania*, *Berengaria* and *Mauretania*. The Foreign Branch Office at 196 Piccadilly, London, is specially equipped for the use and convenience of American visitors in London.

HEAD OFFICE: 5 THREADNEEDLE STREET, LONDON, E. C. 2



# Commonwealth Bank of Australia.

Guaranteed by the Australian Commonwealth Government

## HEAD OFFICE, SYDNEY



Head Office  
Sydney, N. S. W.

Branches in all the principal towns and cities of Australia, at London (2), and Rabaul.

A Savings Bank Department at all Branches and 3,355 Savings Bank Agencies at Post Offices throughout the Commonwealth of Australia, Territories of Papua and New Guinea, Solomon Islands Protectorate and other parts of the Pacific.

### *Agents and Correspondents throughout the World*

#### Banking and Exchange Business

of every description transacted within the Australian Commonwealth,  
United Kingdom, United States, Canada and Abroad

December 31st, 1924

|                       |   |   |                         |
|-----------------------|---|---|-------------------------|
| General Bank Deposits | - | - | \$144,988,059.57        |
| Other Items           | - | - | 41,424,536.18           |
| Savings Bank Deposits | - | - | 204,743,071.46          |
| Note Issue Department | - | - | 284,451,130.00          |
|                       |   |   | <u>\$675,606,797.21</u> |

Cable Remittances made to, and drafts drawn on United States,  
Canada and foreign places direct

Letters of Credit issued to any part of the World

Bills Negotiated or Forwarded for Collection

Current Accounts Opened

Interest on Fixed Deposits

Advances made against approved Securities

**JAMES KELL, Esq., Governor**

THE  
**NATIONAL BANK OF AUSTRALASIA**

LIMITED

ESTABLISHED . . 1858.

Head Office: MELBOURNE

|                                    |               |
|------------------------------------|---------------|
| Authorized Capital (@ \$5 to £1)   | \$50,000,000  |
| Capital Paid Up . . . . .          | \$20,000,000  |
| Reserve Fund . . . . .             | \$11,500,000  |
| Total Assets March, 1925 . . . . . | \$205,888,875 |

With its 469 well spread offices the Bank provides a complete banking service throughout Australia, and is well equipped for the transaction of all classes of foreign business.

|   |   |   |
|---|---|---|
| Chief Manager<br><b>E. H. WRE福德</b>                             | Deputy Chief Manager<br><b>JAMES WILSON</b> | Chief Inspector<br><b>J. A. G. HADLEY</b> |
| Inspector and Manager, Foreign Department: <b>E. J. OSBORNE</b> |   |   |

London Office - 7 LOTHBURY, E.C.2.

**English, Scottish & Australian Bank,**  
 Limited

|   |              |
|---|--------------|
| Authorized Capital . . . . .                | \$18,750,000 |
| Paid-up Capital . . . . .                   | \$11,250,000 |
| Further Liability of Shareholders . . . . . | \$7,500,000  |
| Reserve Fund . . . . .                      | \$9,750,000  |

HEAD OFFICE:—5, GRACECHURCH STREET, LONDON, E.C. 3  
 and 384 Branches and Agencies in Australia

Chief Office in Australia—Collins Street, Melbourne

BANKING AND EXCHANGE BUSINESS of every description transacted with Australia. BILLS NEGOTIATED or sent for COLLECTION REMITTANCES made by TELEGRAPHIC TRANSFER. WOOL and PRODUCE CREDITS arranged. LETTERS of CREDIT and DRAFTS issued on all the Branches of the Bank.

**Chief Agents in United States**

NEW YORK—Guaranty Trust Company of New York.  
 CHICAGO—First National Bank.  
 SAN FRANCISCO—Crocker National Bank.

E. M. JANION, Manager.



# THE BANK OF AUSTRALASIA

(Incorporated by Royal Charter, 1835)

Paid-up Capital - - - - - £4,000,000  
 Reserve Fund - - - - - £3,760,000  
 Reserve Liability of Proprietors  
 under the Charter - - - - - £4,000,000  
**£11,760,000**

Head Office, 4 Threadneedle Street, London, E. C. 2

EDMUND GODWARD, Manager

West End Branch, 17 Northumberland Avenue, London, W. C. 2

## Branches in Australia

| VICTORIA  | Victoria, Contd.   | N. S. Wales, Contd.  | Queensland, Contd.  |
|---|--|--|---|
| Melbourne ; 394 &<br>396 Collins St. ; 384<br>Elizabeth St. ; 71<br>Collins St. East  | St. James<br>Sale<br>Shepparton<br>Stawell<br>Strathmerton<br>Tallangatta<br>Terang<br>Traralgon<br>Tungamah<br>Walwa<br>Warragul<br>Warrnambool<br>Wedderburn<br>Welshpool<br>Wycheproof<br>Yackandandah<br>Yarram<br>Yarrawonga  | Cootamundra<br>Corowa<br>Crockwell<br>Dorrigo<br>Dubbo<br>Forbes<br>Glen Innes<br>Goulburn<br>Grafton<br>Greiffell<br>Hamilton<br>Howlong<br>Jerilderie<br>Kempsey<br>Kyogle<br>Lismore<br>Maitland (West)<br>Maitland (East)<br>Moree<br>Murwillumbah<br>Murrumbrook<br>Narrabri<br>Narromine<br>Newcastle<br>Nowra<br>Orange<br>Parkes<br>Peak Hill<br>South Grafton<br>Stroud<br>Tamworth<br>Tullamore<br>Wagga-Wagga<br>Woo Waa<br>Young | Hughenden<br>Ipawich<br>Kingaroy<br>Longreach<br>Maryborough<br>Oakey<br>Richmond<br>Rockhampton<br>Roma<br>Toogoolawah<br>Toowoomba<br>Townsville<br><b>SO. AUSTRALIA</b><br>Adelaide<br>Kooronga<br>Mount Barker<br>Port Lincoln<br>Port Pirie<br>Wirrabara<br><b>WESTERN AUSTRALIA</b><br>Perth<br>Albany<br>Beverly<br>Bunbury<br>Fremantle<br>Gnowangerup<br>Kalgoorlie<br>Moora<br>Northam<br>Wagin<br>Wickepin<br><b>TASMANIA</b><br>Hobart<br>Burnie<br>Deloraine<br>Devonport<br>Fingal<br>Launceston<br>Launceston<br>Sheffield<br>Stanley<br>Ulverstone<br>Wynyard |
| Bairnsdale<br>Ballarat<br>Benalla<br>Bendigo<br>Bright<br>Castlemaine<br>Charlton<br>Chiltern<br>Cobram<br>Corryong<br>Drouin<br>Euron<br>Fish Creek<br>Foster<br>Geelong<br>Katamatite<br>Kingston<br>Koroit<br>Korong Vale<br>Korumburra<br>Leongatha<br>Mirboo North<br>Mooroopna<br>Morwell<br>Nathalia<br>Numurkah<br>Port Fairy (Belfast)<br>Rutherglen | <b>NEW SO. WALES</b><br>Sydney ; Martin<br>Place ; 85 Pitt St. ;<br>555 George St. So. ;<br>Wentworth Ave. ;<br>236 William Street<br>Bondi Junction<br>Castlereagh St.<br>Hurstville<br>Kogarah<br>Leichhardt<br>Marrickville<br>Newtown<br>North Sydney<br>(84 Mount St.)<br>Petersham<br>Albury<br>Ballina<br>Bathurst<br>Bega<br>Bellingen<br>Berrigan<br>Blayney<br>Broken Hill<br>Cessnock | <b>QUEENSLAND</b><br>Brisbane<br>Fortitude Valley<br>Cairns<br>Charters Towers<br>Chillagoe<br>Cooyar<br>Crow's Nest<br>Herberton  |   |

## Branches in New Zealand

|  |  |   |  |
|--|--|---|--|
| Wellington<br>Aahburton<br>Auckland<br>Blenheim<br>Christchurch<br>Dannevirke<br>Dunedin<br>Eltham<br>Featherston<br>Felding<br>Gisborne<br>Gore | Hamilton<br>Hastings<br>Hawera<br>Invercargill<br>Kaipara<br>Levin<br>Mania<br>Mangonui<br>Marton<br>Masterton<br>Matamata<br>Morrinsville | Napier<br>New Plymouth<br>Otaki<br>Palmerston Nth.<br>Patea<br>Rangiora<br>Rotorua<br>Stratford<br>Tahape<br>Taumarunui<br>Tauranga<br>Te Aroha | Te Kuiti<br>Temuka<br>Te Puke<br>Timaru<br>Waipawa<br>Waipukurua<br>Wairoa<br>Wanganui<br>Waverley<br>Whakatane<br>Whangarei |
|--|--|---|--|

## Principal Correspondents in North America

|  |  |
|--|--|
| <b>CANADA :</b><br>Bank of Montreal<br>Canadian Bank of Commerce | <b>UNITED STATES :</b><br>Bank of New York & Trust Co., New York<br>Hanover National Bank, New York<br>National Bank of Commerce, New York |
|--|--|

|   |
|---|
| <b>UNITED STATES, Contd. :</b><br>National City Bank of New York<br>Continental & Commercial Nat. Bk. of Chicago<br>Illinois Merchants Trust Co., Chicago<br>National Bank of the Republic, Chicago<br>Franklin Fourth Street Nat. Bk., Philadelphia<br>Wells Fargo Bank & Union Trust Co., San Francisco |
|---|

Offer facilities for the transaction of every description of Banking Business in Australia and New Zealand. Negotiate or Collect Bills. Issue Telegraphic Transfers. Letters of Credit and Drafts, also Circular Notes and Circular Credits, on all parts of the world



# THE STANDARD BANK OF SOUTH AFRICA, LIMITED

(with which is incorporated the  
AFRICAN BANKING CORPORATION, LIMITED)

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

|                    |   |   |   |   |   |             |
|--------------------|---|---|---|---|---|-------------|
| Authorised Capital | - | - | - | - | - | £10,000,000 |
| Subscribed Capital | - | - | - | - | - | £8,916,660  |
| Paid-Up Capital    | - | - | - | - | - | £2,229,165  |
| Reserve Fund       | - | - | - | - | - | £2,893,335  |
| Uncalled Capital   | - | - | - | - | - | £6,687,495  |
|                    |   |   |   |   |   | £11,809,995 |

BANKING BUSINESS TRANSACTED  
IN ALL PARTS OF THE WORLD

**HEAD OFFICE: 10, Clements Lane, Lombard Street, London, E.C. 4.**

London Wall Branch : 63, London Wall, E. C. 2

West End Branch: 9 Northumberland Avenue, W. C. 2 (Opposite the Royal Colonial Institute)

Rotterdam Branch : 15, Coelssingel

Hamburg Agency : Bank of British West Africa, Ltd., 49-53, Schauenburgerstrasse

Branches and Agencies Throughout  
SOUTH and EAST AFRICA

**New York Agency: 67 Wall Street**

ROWLAND SMITH and R. GIBSON, Agents

*Representing in*    { Bank of British West Africa, Ltd.  
*New York*            { Bank of New South Wales

The New York Agency

offers to Bankers and Merchants throughout the United States and  
Canada its unsurpassed service for facilitating trade with  
the markets of Africa, Australia and New Zealand.

ESTABLISHED 1817

# BANK OF NEW SOUTH WALES

AUSTRALIA

|  |  |                     |
|--|--|---------------------|
| Paid-up Capital . . .                  |  | \$30,000,000        |
| Reserve Fund . . .                     |  | 22,000,000          |
| Reserve Liability of Proprietors . . . |  | 30,000,000          |
|  |  | <b>\$82,000,000</b> |



Aggregate Assets, 30th Sept., 1925, \$400,047,015

OSCAR LINES, General Manager

414 BRANCHES AND AGENCIES

414 BRANCHES AND AGENCIES

**AUSTRALIA**  
 Pop., 6,000,000; area, 2,974,581 sq. miles; sheep, 78,803,000; cattle, 14,350,000; horses, 2,400,000. Imports, \$702,849,265; exports, \$597,837,035.

**Annual Value of Australia's Products**

|                     |                 |
|---------------------|-----------------|
| Agriculture .....   | \$420,910,000   |
| Pastoral .....      | 457,375,000     |
| Dairying .....      | 217,708,370     |
| Mining .....        | 101,580,800     |
| Manufacturing ..... | 1,632,485,000   |
| Total .....         | \$2,830,059,170 |

Head Office—George St., Sydney      London Office—29 Threadneedle St., E. C.

## 414 BRANCHES AND AGENCIES

In all the Australian States, New Zealand, Fiji, Papua (New Guinea) and London  
 Cable remittances made to and drafts drawn on Foreign Places DIRECT  
*Foreign Bills Negotiated and Collected.*      *Letters of Credit Issued.*  
**NEGOTIABLE THROUGHOUT THE WORLD**

The bank collects for and undertakes the agency of other banks and transacts every description of Australian Banking Business

**Agents in New York :** Standard Bank of South Africa, Ltd.  
 National City Bank of New York  
 National Bank of Commerce in New York

Agents in San Francisco, Bank of California National Association, Crocker National Bank and Anglo and London Paris National Bank



THE record of one typical day on the New York Stock Exchange recently showed transactions in the shares of 464 corporations. For 142 of these companies the Guaranty Trust Company acts as Transfer Agent or Registrar.

This is substantial evidence of the position occupied by this Company in the field of trust service. We act in every trust capacity—as transfer agent, registrar, trustee, etc., for corporations; and as executor, trustee under wills, etc., for individuals.

## Guaranty Trust Company of New York

NEW YORK

LIVERPOOL

LONDON

HAVRE

PARIS

ANTWERP

BRUSSELS

# THE BANKERS MAGAZINE

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## Editorial Comment

### The Banker in His Public Relations

**O**Bservers of current tendencies in American national life are of the opinion that there are some things in need of very thoughtful attention on the part of all who wish to see our institutions developed in a way to assure "the greatest good to the greatest number," according to the Bentham formula. In comparing the present position of the United States with that of other countries, it will be apparent that, from the material side at least, we have already much to be thankful for in this respect, for the average well-being here is high, perhaps higher than in any other country in the world. Therefore, to point out that we have many attainable things yet to be desired is not to belittle our present situation nor to indulge in mere fault-finding. But complacency, on the part of individuals or nations, has its serious dangers. As a matter of fact, our Cassandras are far outnumbered by flamboyant orators and writers of the Fourth-of-July type.

The true lover of his country does not find fault with its institutions without a cause, nor does he remain silent for fear of giving offense in the face of abuses capable of being corrected.

Probably in this country we have been too ready to assume that widespread material prosperity constitutes, if not the one and only object of our civilization, the principal thing to be sought and gained. This, it may be pointed out, reverses the scriptural injunction to seek first the Kingdom of

God and righteousness, in the belief that these other things will follow. One need not indulge in sermonizing to say that by reversing this order, if we have done so, the result has been somewhat disappointing. American citizens are, as a rule, well housed, well clothed and well fed, and this must be a cause of rejoicing to all right-thinking people. It constitutes the aim of our industry, commerce and banking. It is a legitimate source of satisfaction that here in America we have developed almost a superlative degree of efficiency in the multiplication and distribution of wealth. It would be foolish to criticize this development either expressly or by implication. The only question is as to whether or not in so intensely concentrating our attention and energy upon the creation and distribution of wealth we have not to some degree lost sight of the weightier matters, and whether the time is not now at hand when they must receive that practical consideration which their importance deserves.

Specific instances of tendencies now existing and whose serious character is generally recognized are not far to seek. First, there is the so-called "crime wave." Whether this term is in itself correct or not, no doubt whatever exists as to the prevalence of the condition it is intended to describe. Banditry is exhibited almost every day, in the streets of practically all our leading cities, to an extent that puts the James boys, Dick Turpin, Jack Sheppard and other old-time heroes of the road in the ranks of bungling amateurs. But it is not alone these

more spectacular manifestations of crime that are disquieting to the thoughtful citizen. One of our most sacred documents, at least in theory, is the Constitution of the United States. And yet a law, enacted in pursuance of one of its most recent amendments, is being openly flouted without raising any serious protest, and its violation is widely regarded as a huge joke. True enough, the newspapers are offering prizes to orators, not over nineteen years of age, for the best orations on the Constitution of the United States, failing to perceive that what is really needed is not jejune orations on the Constitution, but its strict observance on the part of those of voting age, who are responsible for the amendment of the document and of the laws enacted in pursuance thereof.

The reign of lawlessness may be due, to some extent, to the existence of too many laws, hastily passed in advance of the development of a public opinion that would sustain them, but obviously much of the disregard of law is of an entirely different sort. In whichever of these categories manifestations of lawlessness abound, there is a remedy, which should be diligently sought for and rigorously applied.

Aside from this major ground of complaint there are others that cannot be ignored. They relate to such real tendencies as the declining state of our literature, drama, politics and morals. Modernity may laugh at some or all of these indictments as mere manifestations of the mid-Victorian mind; but making proper allowance for this factor, the crop of deadly fruit being harvested from these tendencies forbids us thus lightly to waive them aside.

One does not have to be a pessimist to admit that there are a number of deplorable and dangerous tendencies in American life the remedying of which, to the extent possible, should be the perpetual concern of every good citizen.

The demand for adequate leadership is insistent, but evidence is lack-

ing that the times and the soil are favorable to the development of moral and spiritual leadership. Grapes are not gathered from thorns nor figs from thistles. From a citizenship morally and mentally alert will come the inspiration for such leadership as may be essential to lead the American people to higher ground.

In the work of arousing our people to a stricter realization of their duties as citizens the bankers of the United States have an opportunity of performing a most useful service. No doubt the banker, by his calling and in the exercise of his ordinary duties, already bears a fair share of this responsibility. His first concern, quite properly, should be so to conduct his own business that no reproach shall attach to it, and in the majority of cases this he is now doing. Very likely the banker, in his private capacity of citizen, exercises the leadership which his position naturally gives him, and thus exerts great influence upon the affairs of the community in which he lives. But may not the bankers of the country when they meet in their state conventions or in the annual convention of the American Bankers Association devote a part of the time and attention now given to technical banking problems and economic subjects to a consideration of the duties of citizenship?

Unless what has been said is predicated upon mistaken grounds—of which there appears too much evidence to the contrary—the time is now at hand when the bankers of the country may render a great service by helping to develop American citizenship and character.



### America's Qualified Entrance Into the World Court

**F**EAR explains the restrictions imposed by the Senate on our entrance into the Permanent Court of International Justice. These restrictions emphasize the fact that we

do not trust Europe any more than the component nations of Europe trust one another. In a recent speech of Stanley Baldwin, the English Prime Minister, high praise was bestowed upon the Locarno Pact as marking a new era in European relations. In the same speech Mr. Baldwin went on to enumerate the steps taken by England to strengthen the naval and air defenses!

But our halting entrance into the World Court and the Locarno Pact both represent substantial progress toward peace. If they do not represent all that could be wished, they probably go as far as could be expected so soon after the ending of the great world tragedy with the fears which it engendered. We can accept the moderate gain these devices represent without jumping to the conclusion that they are to be taken as positive indications of the dawn of perpetual peace. Our entrance into the World Court would not have been hedged about by restrictions but for the fact that fears are entertained of the designs of other nations upon the territory or trade of the United States. The Locarno Pact would have been unnecessary but for the suspicions and fears of the nations entering into it.

By resorting to the World Court only after special treaty in each case, this country has shown that it is not willing to submit its affairs to the judicial scrutiny of other nations except in those cases where it has satisfactory reasons for doing so. Conceivably, in the light of experience the scope of cases thus submitted may be largely extended.



### Protecting the Inexperienced Investor

**S**PEAKING a short time ago in New York, Mortimer L. Schiff had the following to say regarding legislative attempts to protect the inexperienced investor:

"There is a tendency, laudable in its purpose, but, in my opinion, ineffective in its results, to prevent by legislation dealings in securities. The most popular method for this appears to be the so-called blue sky laws, through which it is hoped to protect the ignorant and inexperienced. May I suggest that legislation on this subject is very likely to fail in its purpose and, while restricting and interfering with legitimate business, prove ineffective to prevent the exploitation of the ignorant by unscrupulous promoters."

Mr. Schiff went on to express further doubts as to the efficacy of regulatory legislation of this character, but said that if there is to be legislation it ought to be national in scope.

Probably there was enough law in existence long before any of the "blue-sky" acts were passed to afford adequate protection to any investor who had been substantially wronged. The statute of frauds, or the common law, could have been invoked as a remedy. But what the inexperienced investor seems to want is something that will relieve him of the exercise of ordinary prudence and diligence in upholding his own interests. He is like the fond mother who would have all the briars removed from this workaday world before her tender offspring is sent out to battle with it.

With the close business intercommunication between the states, the desirability of having national, or at least uniform, legislation on this subject, as suggested by Mr. Schiff, is obvious. The difficulty of complying with the intricate laws of forty-eight states is apparent.

A simple, uniform law regulating the offering of securities for sale to the public might be of greater benefit to the public and the investor than the numerous complex laws now in existence. Perhaps, out of the experience of the various states, such a measure may be ultimately evolved.

## America As a Financial Guarantor of Europe

**T**HE settlement of debts due this country from various countries in Europe seems in most cases to be dependent upon the ability of the debtor countries to borrow from the United States. It is probably not saying too much to assert that the reopening of the American fountain of credit is one of the strong incentives to debt adjustment. At least, the ink hardly dries on the debt-adjustment documents until the debtor country applies for an American loan. Probably assurances have been given in advance that such application would be looked on with favor once there was an agreement for settling outstanding debts.

From the nations seeking to borrow immediately after settling their debt to this country, Great Britain must be excepted. The credit arranged for with the Federal Reserve Bank of New York, for supporting exchange on the restoration of the gold standard, was arranged long subsequent to the debt settlement and formed no part of that agreement. As a matter of fact, no use has thus far been made of the credit in question.

Whispers are circulating 'round that the United States may yet have to become the virtual guarantor for a considerable part of Germany's obligations under the reparations agreement, by taking over, at least indirectly, a large block of German railway bonds.

The plan to have the United States hold the bag in the reparations settlement is by no means a new one. It was privately suggested in financial circles several years ago, but was coldly received. More favorable consideration might be given to it now, as there has been a partial economic recovery in Europe since the scheme was first broached.

Should this country be much further financially committed in Europe, and especially in the manner indicated, it would become the financial guarantor of

that part of the world to a considerable extent. In such an event our political aloofness from Europe would be harder than ever to maintain.



## Large Banking Loans to Brokers

**F**IGURES recently made public show to what a large extent the banks of New York are committed to brokerage loans. From these figures it appears that the amount that brokerage firms affiliated with the New York Stock Exchange had borrowed from banks, trust companies and other banking agencies in New York on January 30 was \$3,513,174,154. This sum includes \$2,516,960,500 on demand loans and \$996,213,555 on time loans. It is pointed out by the president of the New York Stock Exchange that these brokers' loans are less than 6 per cent. of the total value of the securities listed.

Although these loans bear but a small proportion to the aggregate of listed securities, they are large and on the increase. This is a natural consequence of the growth of corporate business. On January 1, 1919, there were 612 stock issues listed on the New York Stock Exchange, compared with 1045 on January 1, 1926.

The figures of brokerage loans given above include only those of firms that are members of the New York Stock Exchange. It is estimated that if non-members were included the aggregate of such loans "for purposes of speculation and investment" might run up as high as \$5,000,000,000. No doubt these figures will be criticized by those who believe that too large amounts of banking funds are being employed in this kind of financing. But such criticism will have to take into consideration the multiplication of corporate securities, the fact of New York's great importance as a financial center, and also the ultimate use of the loans made for the supposed purposes of "specula-

tion and investment." No inconsiderable part of "speculation" reflects itself in an energizing influence on business, while "investment" has become a rather broad term. That legitimate investments in securities have a most important relation to practically all forms of business enterprise, including that of agriculture, is obvious.



### The Farmer's Plight

**C**ONFLICTING reports are in circulation respecting the condition of the American farmer. Some of the reports make it appear that this very necessary individual in our economic organization is about on his last legs; or, changing the anatomical metaphor, that his backbone is broken. The strange thing about it is that, thus hampered, the American farmer continues to produce so large a volume of the things needed for human sustenance. As has been previously set forth in these pages, despite the relative or actual decline in the number of those engaged in agriculture, the volume of production is well sustained—better farming, the use of fertilizers and improved machinery, accounting for this. As the country turned to manufacturing, it was to be expected that the proportion of income received by the farmers in relation to the entire national income would show a falling off; nor is the fact that there has been an actual diminution in the number of those engaged in farming of a surprising character. But this turning of a large part of the population from farming to manufacturing has tended strongly to increase the domestic market for farm products, and but for this fact the present condition of the American farmer might be much worse than it is.

A great deal of the commiseration over the farmer's lot arises from political sources, and is therefore to be heavily discounted. If a survey of agricultural conditions is to have any

real value, it should be thorough and impartial. Unfortunately, the tendency is to have recourse to legislation, some of it of a very doubtful character, as a means of helping the farmer. It may be that what our farming lacks is the application to it of those principles upon which general business relies for success. In this direction the services of the banker may be found helpful.



### Looking for a Political Issue

**E**VIDENCE of the bankruptcy of the political parties appears from the search for an issue to be used in the Congressional campaign this fall. Presumably the Republicans, being in power, will point with pride to their economy program and to their acceptance of the World Court. This is rather slender political capital, although to have effected a substantial reduction in taxation is an achievement of no small benefit to the country. No doubt, in providing for our guarded entrance into the World Court, a step has been taken in the direction of membership in the League of Nations. As the Democrats have rather favored the League, they can hardly complain at this step. All they can say is that it has not gone far enough.

Prohibition is not looked on with much favor as a political issue by either party. A candid consideration of the situation leads to the conclusion that something ought to be done about prohibition. The law should either be modified or a more determined effort made to observe and enforce it. But both parties have lacked the moral courage heretofore to take a decided stand either on one side or the other. There are many "wets" and "drys" in both parties.

Had the Democrats any man in their ranks of the courage and force of Grover Cleveland, they might make a successful appeal to the country on the tariff issue. For there is evidence that the farmers are dissatisfied with the



present tariff, and there is a considerable volume of opinion among independent voters to the effect that, in view of the changed economic position of the United States, a downward revision of the tariff is desirable.

Should the proposal to recharter the Federal Reserve Banks be brought into the campaign, either in 1926 or 1928,

it would give the public an opportunity to gain a more intimate knowledge of the principles of banking. As the Federal Reserve Act was passed during a Democratic Administration, that party must inevitably become the advocate of a renewal of the bank charters. But it by no means follows that the Republicans will oppose the renewal.



## The Farm Surplus Problem

Extracts from an address by Benjamin M. Anderson, Jr., Ph. D. Economist of the Chase National Bank of the City of New York before the Chamber of Commerce of Kansas City, Kansas City, Missouri, February 24, 1926.

**S**PEAKING before the Chamber of Commerce of Kansas City recently on the farm surplus problem, Dr. B. M. Anderson, Jr., economist of the Chase National Bank of New York, criticised the Dickinson Bill now pending before Congress. This bill, he said, proposes to use an indeterminate amount of money to be forcibly collected from individual farmers for the purpose of buying up the exportable surplus of various agricultural products with a view to forcing up domestic prices of these agricultural products. The surpluses thus bought up are to be sold abroad at whatever they will bring, are to be prevented from returning to the domestic markets by the tariffs on agricultural products, and the losses from buying the surpluses at domestic prices and selling at foreign prices are to be absorbed by the funds collected from the farmers. He characterized this measure as merely a modified form of the McNary-Haugen Bill which was defeated in 1924. "The details of the McNary-Haugen Bill had been riddled by expert criticism, and the Dickinson Bill, therefore, omits most of them without supplying others." Where the McNary-Haugen Bill proposed that the Government should put up \$200,000,000 of public money, the Dickinson Bill leaves the farmers to supply all of the money for the vast merchandising operations. He said that the bill is

merely an artificial scheme designed to offset the handicaps which the farmers now suffer under the protective tariffs. Tariffs can have no effect on the prices of commodities where an export surplus exists. The existing tariff system injures the farmer in two ways: (a) by raising the prices of the things that he buys; and (b) by limiting the ability of foreign countries to obtain the dollars they need to buy American agricultural products through selling goods in American markets. The natural way to get exports out is by receiving imports to pay for them.

The administrative features of the Dickinson Bill Dr. Anderson declared to be quite unworkable. He contrasted the scheme of the bill with the measures made use of by Brazil in connection with coffee and by British Malaya and Ceylon in connection with rubber. The Dickinson Bill would make American consumers pay more and foreign consumers pay less for American agricultural products. It would, moreover, lead to an increased export surplus. Brazil and British Malaya and Ceylon on the other hand, have sought to raise prices in the world markets outside the sources of supply by restricting exports, and they have sought to receive from the general world market not smaller sums of money, but larger sums of money.

# What the Banker Wants to Know About the Textile Industry

The Present Situation in New England Textiles. Factors Which the Banker Must Consider in Dealing With Textile Mills

By W. Irving Bullard

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THE author of this article, in addition to the wide prominence which he has attained in banking circles, has long been recognized as an authority on textiles. He has a thorough practical knowledge of the industry, based on years of experience in dealing with it in all its varied phases. The changes which the New England cotton manufacturing industry has undergone in recent years, and the important place which this industry occupies in our business structure, make Mr. Bullard's article of particularly timely interest to bankers—THE EDITOR.

PERHAPS the most common mistake which is made in discussions of current conditions and prospects in the New England cotton manufacturing industry is to consider that industry as a whole. Those who have come in close contact with it realize that the industry includes many classes of mills differing from each other as to types of goods manufactured, selling methods, age and condition of buildings and equipment, and quality of management. These factors are of great importance in determining the present position and outlook of individual companies, and the banker above all others must take them into consideration in dealing with textile mills.

The mills which have been in the least favorable position are those running on standard descriptions of yarns and cloths which are sold in such ways that the identity of the mill making the goods is not known to the ultimate consumer. This class of mills includes those running on staple coarse and medium carded yarns and on staple plain, unbranded cloths. As most of such yarns and cloths are now made in the South, southern manufacturing costs

determine price levels on them, and this means that northern mills with their higher costs find it very difficult to break even in normal times.

*Premium Carried by High Quality Trade Mark Goods*

The mills which have been more favorably situated are those running on cloths of a style character of particular-



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ly high quality and on goods sold under trade marks so that the identity of the mills making them is known to consumers. Goods of particularly high quality naturally carry a premium because of such characteristics. When a

manufacturer develops a reputation among consumers for making merchandise of dependable quality, he is able to capitalize that reputation by securing a better price than competitors who are not known. The bulk of styled, high quality goods sold under trade marks is still made in New England, and for this reason, too, New England does not feel southern competition as much as on staple plain, unbranded goods.

In recent years the New England cotton manufacturing industry has undergone something of a revolution in adjusting itself to these conditions. Years ago Fall River made 75 per cent. to 80 per cent. of the print cloths woven in this country. Today it probably does not make more than 5 per cent. or 10 per cent. Most of the so-called print cloth mills of that city are today running on odd constructions for specialized uses on which competition is not quite so keen as on standard cloths. New Bedford mills which used to run almost entirely on plain fine lawns, organdies, and batistes are now making thousands of styles of all-cotton and cotton-and-rayon fancy fabrics.

#### *Getting Closer to the Ultimate Consumer*

Slowly perhaps but steadily, many mills have found ways of getting closer to ultimate consumers and are building reputations with the general public for making high quality, attractively styled goods. Having adopted trade marks, they have engaged in national advertising campaigns and put on store window displays in leading cities throughout the country. To some extent, where desirable, they have engaged in cutting up their piece goods and have begun to sell their product in the form of bed spreads, made-up sheets, or other manufactured articles. In this way mills which were formerly known only to a small group of merchants who bought their product on a keenly competitive basis, and some of whom put their own brands on the goods in reselling them to jobbers and retailers, are now known from one end of the country to another.

Meanwhile, not a few New England mills have been revolutionized from the standpoint of their physical equipment. Millions of dollars worth of machinery which had become too costly to operate, either through obsolescence or wear, has been thrown to the scrap heap. Non-automatic machinery has given place to automatic equipment. Scores of mill buildings in New England which are twenty, thirty or forty years old now house the very latest and most efficient machinery. Thus, while labor costs may be higher than in other parts of the country, such mills are under no disadvantage in competition with the newest southern plants from the standpoint of plant equipment.

#### *Increased Efficiency in Mill Management*

Managements, too, have been revolutionized, not only as to treasurers and agents but also as to general superintendents, department overseers and minor officials down to the rank and file of the workers. Treasurers whose idea of selling was merely that of calling on a few possible buyers and receiving orders have been replaced by men who have some conception of the possibilities of creating a demand for goods and building a distinctive reputation in the market. Those who never bought a bale of cotton except to cover an equivalent coincident sale of goods, maintaining that their business was to manufacture and not to speculate in the raw material, have been succeeded by those who, while not taking undue risks, have been able to make profits by advantageous purchases of the raw material. Officials who went on the principle that what was good enough for their predecessors was good enough for them, have given place to men open to new ideas. While it is recognized that nothing can take the place of practical experience in actual mill work, the textile schools have contributed not a little to the increased efficiency of mill managements.

Needless to say, not all New England mills have improved their positions in

recent years in all of these respects. Many of them, a very large percentage in fact, have not needed to do so, for during all or most of their lives they have been managed with the greatest ability and they have always adapted their operations to changing conditions. Among those mills which have been less favorably situated, some have been handicapped by insuperable obstacles in meeting the new conditions. Not all mills have been able to switch from plain, unbranded goods to high quality styled or trade marked fabrics, on account of limitations of their equipment. Some companies which should have re-equipped have not had the funds with which to do so. The swinging of the automobile tire industry from combed to carded yarns has put combed yarn mills of New England in a very difficult position largely beyond their control. But the industry as a whole has strengthened its position greatly through the action of many companies meeting changed conditions in the ways indicated.

#### *The Situation of the Southern Mills*

A phase of the New England cotton manufacturing situation which should not be overlooked is that while New England mills have had a harder time than southern mills, on the whole, in the last few years, the southern mills have not had a bonanza. Southern mills have been loud in their complaints of lack of profits and many of them have shown very lean earnings since the boom years of 1919 and 1920. They have found it impossible to sell their full production at profitable prices. When they have attempted to do so, prices have fallen and profits have melted away. While the country has been going through one of the greatest eras of prosperity in its history, the cotton manufacturing industry, even in the South, has done only moderately well. Cotton manufacturers have been forced to the conclusion that the productive capacity of the industry has been in excess of the consumptive capacity of the country with cotton and

goods at the high levels which have obtained in recent years.

One of the striking results of this situation is that buyers of goods, realizing that there was always an ample supply, have been unwilling to buy ahead. They have been encouraged in this attitude by the highly efficient condition of the railroads which has permitted them to count with certainty on deliveries. Accordingly, they have bought consistently from hand-to-mouth. Manufacturers have been unable to secure a sufficient amount of forward business to give them a reasonable control of the yarn and cloth markets. On the other hand manufacturers have been obliged to carry much larger stocks of goods than in former days, to meet the demands of buyers for quick deliveries. This has applied equally to New England and the South.

#### *Points to Consider in Extending Credit*

What does all this mean to the banker in dealing with New England cotton mills? It means that he must exercise the greatest discrimination in extending credit to them. He cannot know of the details involved in classes of goods made, selling methods, condition of equipment, etc., but he must have a general idea as to whether mills seeking credit are making goods which the trade wants and which can be advantageously made in New England, and whether such mills have modern equipment and are efficiently managed. To such mills he must be willing to extend more credit than in former days, to permit them to carry the larger stocks of goods which present day conditions require. In judging whether or not a given mill is carrying an excessive inventory, he must consider carefully not only the type of goods which the mill makes and its selling methods, but also the ability of the management to judge what goods it should stock and what it should not stock.

As stated at the outset, bankers above all others should not regard the New

England cotton manufacturing industry as a unit but should consider each company by itself. In this industry above others they should not consider bricks and mortar as assets unless such bricks and mortar are producing earnings. They should not apply rigidly and uniformly the old standard credit tests,

such as the usual ratios of quick assets to quick liabilities or inventories to sales. If they would be of sound, constructive service to the industry, extending credit where credit should be given and withholding it where it should not, they must consider each company on its individual merits.



## Semi-Centennial of the Telephone

SO accustomed have bankers and others become to the indispensable service rendered by the telephone that it is difficult to realize that barely a half century ago we lacked this great instrumentality of social and commercial communication. The following interesting account of the discovery and development of the telephone is taken from the *Bell Telephone Quarterly*:

"On March 10, 1876, the telephone carried its first message. On that day, over a wire extending between two rooms in a building in Boston, Alexander Graham Bell spoke to his associate, Thomas A. Watson, saying, 'Mr. Watson, come here; I want you.' These words when heard by Mr. Watson in the instrument at his ear, constituted the first sentence ever received by the electric telephone. The instrument into which Dr. Bell spoke was a crude apparatus, and the current which it generated was so feeble that although the line was only about thirty feet long, the voice heard in the receiver was faint, though distinctly audible to the ear of the young Mr. Watson.

"Following the instructions given by Mr. Bell, Mr. Watson with his own hands had constructed the first telephone instrument and strung the first telephone wire. At that time, all the knowledge of the telephone art was possessed exclusively by these two men. Even they then knew only how to talk from one room to another in the same building. Everything else concerning the wonderful art which we now possess was unknown to them and to the rest of the world. At that time there was no university giving the degree of Electrical Engineer or teaching electrical engineering. There was no such thing as electrical engineering.

"In 1876, the telephone was a thing of no practical use. Although Bell had con-

tributed a marvelous discovery, there was no way to use it. In order to fit the telephone for practical use, a new art hitherto unknown—the art of telephony—remained to be created.

"Under the leadership of Hubbard and Sanders and Forbes and Vail, there began the development of the Bell system, which after fifty years has become the greatest single business institution in America—an outstanding example to all the world of what can be achieved by the co-operation of science and business.

"The laboratory in which worked Bell and Watson has grown until now it has a personnel of over 3000 including engineers and scientists of the highest attainments; and counting these and the other trained specialists at the headquarters of the Bell system at New York, there are constantly employed 5000 men—scientific and business specialists—whose sole duty it is to advance the telephone art and discover new ways of increasing its usefulness to the public.

"Distributed through the various states of the Union there are thousands of other engineers engaged in construction and operation; and in the hundreds of different branches of telephone activity which have developed with the growth of the system, there are over 320,000 men and women employed each day in the telephone service.

"The first telephone message was sent in 1876. So great has been the growth of telephone messages in fifty years that in 1926, 50,000,000 telephone conversations take place each day in the vast telephone plant which covers a continent.

"The two telephones of 1876 have increased so that now there are more than 16,000,000 telephones inter-connected in the Bell system."

# The Future of American Investments Abroad

Why Investments Abroad Seem to be Inevitable. How Investment Trusts Protect Investors. Selected Ownership the Far-sighted Policy.

By Philip de Forceville

**A**T the close of the World War, not only had the huge credits granted to European nations entirely offset the American pre-war indebtedness, but they had made the United States a creditor nation to an amount in excess of \$10,000,000,000.

The importance that this situation has already assumed in connection with all interallied debts may be held to justify the investigation attempted in the following pages, and the conclusions which the writer has deduced therefrom.

America, disposing of her surplus of capital is facing primarily an *investment problem*. Assuming that foreign obligations will in time be duly met, America's surplus of capital is going to increase. A substantial surplus of capital is available *now*. Therefore, the question may be asked: "What will direct the future policy of American investment bankers?" Heavy responsibility rests on their shoulders.

Any attempt to induce American business men to step into the field of foreign investment will soon reveal a difficulty that may be described as "psychological." The United States is so typically a self-supporting country, being a great consumer as well as a great producer, that the American trader does not *have* to bother about foreign markets. Why, then, should the American investor take chances abroad, when he can so easily make money at home?

The point that needs to be emphasized is that, while distances are coming to mean less and less, the various parts of the world are becoming more and

more inter-dependent—*isolation checks prosperity*. When distant consequences are considered, investments abroad made "for use in production" continually call for the export of the investor's goods. Industrial markets, trade and credit are developed for the world's general benefit. Such was the successful policy of Great Britain during the Nineteenth Century.

If the Twentieth Century is going to be America's century, it will be the American bankers' task and duty to educate the investing public and in the meantime to protect it.

Investment trusts appear to fulfil, for the moment, the purpose of protection. Yet, in order to throw light on the services that can be expected from investment trusts, it is nevertheless necessary to bring into discussion the difficult and debated problem of *investment policy*. In this connection "creditors" as a class will be opposed to "owners" while fluctuations in the purchasing power of the dollar will have to be considered.

However profitable a sound and far-sighted world-wide investment policy may be to the American investor, the writer will not rest his case until he has tried to show that such a policy is going to benefit the world as a whole by helping to stabilize the international exchanges and thus stabilizing the purchasing power of the dollar. Only if this is true, will these considerations have attained their end.

In order to bring the facts as clearly as possible to the reader's mind, the dis-

cussion will proceed in the following order:

1. Necessity of investments abroad.
2. The function of investment trusts.
3. Investment policy—creditors versus owners.
4. The influence on international exchange.
5. Conclusions.

### 1. Necessity of Investments Abroad

The close of the Napoleonic wars left Great Britain in a very remarkable position. The general exhaustion of continental Europe, combined with the fact that England stood fully a generation ahead in industrial development, resulted in a period of British monopoly in the supply of capital to the world's market. Yet the bulk of such capital was far from being British. Continental investors had sent substantial amounts to London for safe custody during the wars and nothing compelled them after 1815 to leave the money there indefinitely. Furthermore, the British Government was then heavily indebted and thus facing an almost intolerable situation. Even so, the conclusion of the peace of 1815 was the signal for an immense rush to borrow. According to Tooke, London was flooded with new issues from France, Russia, Austria and Prussia. The writer wishes to emphasize that in those troubled days London was not yet financially supreme. London was given an opportunity to attain supremacy and soon made use of it.

The cessation of government borrowing for war purposes rendered available a rapidly growing stream of capital for investment in other channels, and as the demands from abroad became more promising, the outflow started steadily toward the Continent, toward the United States and also toward the other parts of the world. When it was for the undertaking of works of public utility, such as railways and canals, or even for the use of private enterprises of any kind requiring capital and skill, British energy and British money were always available at a price.

The export of British capital also ap-

pears to have continually had a stimulating effect on the commercial conditions of the time. The opening of continental and American markets resulted in a huge outpouring of British manufactured goods.

With the exception of investments in the United States during later years, the British investments abroad continually called, during the Nineteenth Century, for the export of more British goods. Thus the export of capital continues in the form of goods sent out by the investing country. For example, it was established some years ago that out of £12,000,000 invested in South American railroads, 33 per cent. or £4,000,000 had gone abroad in the shape of materials manufactured in the British Isles. Here the recalling of a few technical generalities may be of interest to the reader. Although capital is usually measured in terms of money, substantially it consists of goods—of accumulated wealth. It is a stock of commodities used for the production of further commodities or services. Thus the inhabitants of a country export capital when they forego in favor of foreign countries or individuals the immediate use of goods and services to which they are entitled, *with the aim of obtaining from abroad a future income of goods and services*. When a nation's improved industrial methods enable her to export goods for which an increasing demand is created abroad, this nation, by supplying foreign countries with more goods and services than would be required to pay for purchases and to meet other obligations, *is compelled to enter in one way or another the field of foreign investment*. Of course a persistent demand from abroad for particular kinds of goods to be used as capital may affect, in the long run, the production of the investing country. Yet such goods need not invariably be produced by the investing country. They may be merely purchased by it, while produced elsewhere.

The principal motive which influences foreign investment is the hope of obtaining a higher return than could be secured at home, other things being

equal. The net result of this is to slightly increase the rate of interest at home, and it means a temporary loss to the home production. Yet this loss is invariably more than offset by the return from abroad. An interesting illustration may be found in the rubber "boom" of 1910. The investment of British capital in the production of raw rubber brought an enormous expansion in rubber production and also a great cheapening of price. The rubber quotations of 1912 were only a little more than one third of those of 1910 when the boom reached its climax. Yet the output and the consumption had increased prodigiously to the mutual advantage of producers, consumers, and investors.

Another feature that cannot be overlooked by a large investor is the fact that some particular investments of capital may increase the income from other investments, either by improving communications, or by creating new demands, or even by reducing some costs of production.

In forming an opinion as to whether foreign investment is or is not desirable, it is essential to ascertain as definitely as is possible whether or not such foreign investment will increase the income of the investing community as a whole.

The United States of today finds itself in a position comparable in a way to that of Great Britain in 1815. A contrast is shown, of course, by the progressive evolution of the world for a century, and it rather seems to favor America today. The burden of America's debt is heavy, but far from intolerable. Besides, the whole world is more productive, distances have been economically shortened, the various countries are getting more and more inter-dependent. The opportunity now offered America seems greater than ever was the one of which Great Britain made such effective use during the Nineteenth Century.

Yet this opportunity may still be wasted. The tax-free character of municipal bonds encourages many expenditures that not only do not improve directly the earning power of the community, but, on the contrary, are backed

by nothing else but that earning power. Such earning power will be improved and also regularly increased when a substantial part of it can be derived from diversified holdings of securities of industries located throughout the world...

## 2. *The Function of Investment Trusts*

It has already been shown that the United States is placing other nations in the position of having to make good an annual debit trade balance too large to be settled by the shipment of goods or gold. Under these circumstances it



PHILIP de FORCEVILLE

MR. DE FORCEVILLE, whose article on the accompanying pages received honorable mention in THE BANKERS MAGAZINE Prize Contest, was born in Paris, France, in 1897. He entered the World War in 1914 as a field artillery officer in the French army and later transferred to the aviation service, becoming a flight commander. He served for the duration of the war, and was decorated five times. He graduated with honors from the "Ecole Nationale Supérieure des Mines," Paris, in 1921 as a mining and metallurgical engineer. He had two years' experience in financial houses in London and Paris, and took an active part in problems of the Near East, attending the conferences at Lausanne in both 1922 and 1923. He spent six months in the stock exchange firm of Serge Gorgeu, members of the Paris Stock Exchange. In May, 1924, he came to America and entered the Guaranty Trust Company, New York. His essay "United States and the Inter-Allied Debts" won the Cannon (New York Chapter, A. I. B.) Prize in 1925. On January 1 of this year, Mr. de Forceville transferred his activities from the Guaranty Trust Company to the Guaranty Company of New York.



is inevitable that such foreign customers must sell securities or property and thus attract American capital for investment. To the extent that, during the next few years, this process is facilitated or impeded, American foreign trade will grow or be discouraged.

At any rate that the British expansion overseas has required a great deal of pioneer work cannot be overlooked. Porter stated, in the middle of the Nineteenth Century, that the general impression about foreign investment was that the losses had much exceeded the gains. The British paid a high price for their investment experience. Americans, far from ignoring this lesson, ought to take advantage of its teaching.

The small investor needs protection. He usually resorts to savings in the form of bank deposits, or to life insurance companies through the channels of which he derives income from largely diversified investments where the risk has been spread. This consideration, coupled with the previous discussion, leads one to believe that the development of American investment trusts would render just now a very timely service.

An investment trust is a financial institution selling to investors securities of the trust which, in turn, are backed by various other securities (stocks and bonds) held by the trust. Investment trusts should be differentiated from holding companies which come into existence almost always for the purpose of acquiring control over a number of smaller concerns with the aim of controlling the policies of such concerns. Investment trusts purchase securities and use them as collateral for their own issues with the aim of reducing the customers' risk through diversification.

The first Scotch investment trust was set up around 1860, a time when British bonds were paying 3 per cent. while foreign railroad bonds were yielding as high as 6 per cent. The higher interest naturally appealed to the Scotch who, at the same time, took good care not to place their total capital abroad. The legal form of that time was the old

English trust. Since then investment trusts have grown successfully in England and they have recently been brought over to America. The form of organization has been widely broadened as well as the kinds of securities issued. The two main features that have remained the same are:

- a. The diversification of risk.
- b. A tendency toward seeking a higher return by investing abroad.

British investment trusts have been, as a rule, very successful. They owe this almost entirely to their management. The widest powers are usually given to the trustees, the only restriction imposed being that not more than 10 per cent. of the trust's capital can be invested in any one security.

The writer wishes to emphasize that the main difficulty to be overcome in building an investment trust lies in the selection of an able management. Investment trusts need an exceptionally high class of men.

### 3. *Bonds Versus Stocks—Creditors and Owners*

Investment management is no simple task. It requires not only a great deal of knowledge and practical experience, but also individual judgment in each particular case. Even so, it remains always subject to errors.

The following discussion will not be an attempt to challenge the standard methods of conservative investment which have been sanctioned by many years' experience. The writer will only set forth a few facts that may be adapted to the very uncertain conditions of the present time.

In the general upheaval of the economic world as a whole, the groundwork of economics proves to be much less reliable than was formerly supposed. The conservative investor must be more careful to maintain unimpaired the "commodity value" (or the "purchasing power") of his capital than to take advantage of opportunities which are available at all times.

This "commodity value" is a new factor for the average investor. Although the gold dollar may stand today

as the soundest currency unit in the world, it shares with all currencies certain definite weaknesses. The purchasing power of the dollar, measured by the amount of actual commodities or services it will buy, is subject to fluctuation. If such fluctuation is limited, as it was formerly, to a normal and very regular progression or retrogression covering a long period of years\* allowance can always be made for it in due course. But when the buying power of a currency on a gold basis like the dollar becomes subject to violent ups and downs, as it has been since 1915, the investor is at a loss when such variations are taken into consideration. When we regard paper currencies—and up to April 1925 sterling itself was a paper currency—we must realize that these also are subject to the same fluctuations as the dollar—and to many others as well. Furthermore, such currencies can be measured only in terms of dollars; that is, in terms of a fluctuating value. In other words, there is no fixed standard of value.

Bonds are by definition a form of currency bearing interest. The first element affecting them is the credit position of the debtor. This is the *credit risk*, and it has always been the object of close analysis on the part of conservative investors. Secondly, bonds are affected by the current demand and supply of liquid capital involving changes in interest rates. This is the *market risk*. Lastly, yet no less important, comes today the *currency risk*. *What will be the commodity value of the currency at maturity?*

Assuming that the credit risk has been entirely eliminated and also that the market conditions are favorable, the currency risk is by itself enough to offset the benefit derived from both former factors and even to inflict a heavy loss to the holder of the bond.

This has always been true. Nothing has changed except conditions. *Yet owing to new conditions, something has been disclosed.*

What was reputed conservative ten years ago has now become somewhat speculative. This does not prove, by any means, that what was speculative then has become conservative today. Far from it. It only points out that the conservative investor of today must go some steps further in order to protect himself. There has been at all times a certain class of investors who specialized in stocks. They are perhaps the highest class of investors; they usually confine themselves to stocks of concerns in which they either hold the controlling interest or are in close touch with the management. In the last analysis, it stands to reason that where neither funded debt nor preferred stock has been issued, common stock ranks as a first mortgage. Edgar Lawrence Smith in an exceptionally interesting inquiry† has reached the conclusion that, "The principal value of a well diversified holding of common stocks of representative corporations, in essential industries, tends to increase in accordance with the operation of compound interest." Mr. Smith also shows that, "such stock holdings may be relied upon over a long period of years to pay an average income return on such increasing values of something more than the average current rate of commercial paper." This is due to what Mr. Smith terms the "human factor," that is, the ability of the management of the companies considered. The bond investor is relieved of all responsibility and pays for this relief. The stockholder alone shares in the reinvestment of surplus earnings—yet up to now the bondholder had no reason to believe that his principal was liable to shrink in value because of currency depreciation.

What is true for an individual investor remains to a great extent true for a nation. A creditor nation like the United States finds itself in a position somewhat comparable to that of any bondholder.

The fact that should be emphasized is that for the time being, the *creditor's*

\*The period of 1866 to 1897 shows an appreciating dollar. The period of 1897 to 1915 shows a depreciating dollar.

†Common stocks as long term investments—Macmillan 1924.

position seems impaired to an appreciable extent. Safety requires *ownership*, not only because owners control production, but even more because producers of marketable commodities remain always somewhat independent of currency fluctuations. A simplified example may be considered for the purpose of illustration.

A man who bought in 1900 a \$1000 bond of a steel company, maturing in 1925, will not be able to purchase in 1925 with his reimbursed principal the same quantity of goods that his \$1000 would have bought for him in 1900. He will suffer a loss due to a general decline in the purchasing power of the dollar and this loss, although unforeseen in 1900, is far from being negligible.

On the other hand, if another man owns the right to sell for his personal benefit one ton of pig-iron every year, the proceeds from his sale in 1925 will give him approximately as much purchasing power as the proceeds from his sale in 1900. This man is independent of the fluctuations in the purchasing power of the dollar because the price he gets every year for his pig iron will follow the general index scale of prices of other commodities.

#### 4. *The Influence on International Exchange*

Although the gold dollar is the world's soundest currency, it is affected indirectly by the variations of paper currencies. These affect the standards of living in the respective nations, which in turn affect the indexes of prices all over the world and also in the United States and thus influence the purchasing power of the dollar.

It has been pointed out that selected ownership abroad as well as at home would, under present conditions, be safe and even profitable for the American investor. But would it benefit the world as a whole? The writer believes it would.

A survey of the foreign securities listed on American markets shows, with very few exceptions, government issues rather than industrials. Yet industrial

stocks have, in their respective markets, actually shown a tendency toward rising in price while the currency was depreciating. If the surplus of capital available in New York could be used to buy some of these industrials when they fall to a low price in proportion to their earning power, not only would it be profitable in the long run for American investors, but the efflux of securities would replace, in a way, the former efflux of gold and would have a similar effect in stabilizing the exchanges. The latter would become less subject to political speculation and depend once more, as they should, on trade balances.

Fluctuations of paper currencies have been more harmful as a rule to creditors than to owners. Referring to an extreme case, Germany offers an instance of the creditor class being completely wiped out.

On the other hand government bonds are backed by taxable income which means, in the last analysis, the earning-power of the borrowing community. It must be borne in mind that even if such bonds are issued in the dollar currency, they remain a burden during their life, and, in that capacity a depreciatory factor on the value of the paper currency of the borrower. They are subject to the risks inherent in all bonds. The proceeds, like those of municipals, are diverted into the less productive operations, with this difference—that some foreign governments may use them eventually in destructive effort.

#### 5. *Conclusions*

In the case of Great Britain, outflows of capital and of labor to foreign countries in general have gone together. Whether emigration has been the cause or the consequence of investment abroad, a close relation may be observed between the two. The United States cannot be expected to export men for many years to come, but American capital is bound to attract the surplus of European emigration wherever it is invested to a large extent. This is how it can have a decisive influence on the future of the white world.

This also shows that American in-

vestments must by no means be confined to old Europe. The world needs more than ever an increase in production as well as a development of new sources of wealth.

The writer is inclined to think that the great field for American foreign investment lies around the Pacific Ocean. For instance, belief is general that Australian interests and those of the United States are practically identical. Even more impressive is the manner in which some Australian organizations seek guidance and financial support from New York. At any rate, such prospects concern the more or less distant future. Meanwhile the development of investment trusts, *providing they can secure the right sort of management*, will offer facilities for obtaining information on industrials abroad. By extending protection to the increasing class of small investors, they could be the necessary stepping stone for the American investment policy of the future. Such policy requires *vision* not only at home but all over the world and the distant consequences of the steps that may be taken now are difficult to over-estimate.

The sum of the whole matter is that America has here her opportunity. Her available surplus of capital necessitates foreign investments. Common stocks are the most profitable medium through which foreign investments can be made, and they have the additional advantage of carrying with them a share in the

management. This is important, for if American investment bankers are going to play the part that the world is so anxiously expecting from them, they will have to assume the difficult task of becoming owners, and of gradually taking control of producing concerns located abroad. They must not be content with loaning their money to the rest of the world, leaving the management to the borrowers—for the old theory of the superiority of bonds is under fire. Recent investigations seem to prove that the return on common stocks (including the losses) is larger than on bonds, even at home. Finally, in addition to being more profitable, the progressive methods of American management will benefit the world as a whole.

The world will not get on its feet until capital is invested primarily "for use in production." The United States, being the world's creditor, has this capital at its disposal. Will American investment bankers endeavor to remain *creditors* even while secured and in terms of dollars, or are they going to become *owners* in accordance with the doctrine that President Roosevelt has so magnificently summed up in the following words: "No great destiny ever came to a people who feared the future, who feared failure more than they hoped for success."



**C**REDIT is an entire thing. Every part of it has the nicest sympathy with every other part; wound one limb, and the whole tree shrinks and decays.—*Alexander Hamilton.*

# Standing the Test

By Richard W. Saunders

ONE of the emphasized words of the world today is "test." Thinking people are rapidly acquiring that frame of mind when they no longer take things for granted. Everything and everybody come within the rule and are tried, measured, experimented upon, until the last vestige of doubt is removed. One is continually testing or being tested.

What an epitome that is of what the world has gone through. How much, through the ages, must mankind have endured in the way of falsehood, dishonesty and fraud to bring about this condition. Some little of this will be found in what the writer regards as one of the great books of the Nineteenth Century, "The Martyrdom of Man" by Winwood Reade. In its pages, one can find a vivid picture of the struggle through which our ancestors have gone, beset on every side by those who would exploit them, who in their turn were exploited by others. The comparative security of today seems like a radiant light in contrast.

This should not by any means encourage us to feel that mankind is wholly free. George Eliot has said that "enveloped in a common mist, we seem to walk in clearness ourselves, discerning only the mist that enshrouds others." It is a feeling of this kind that induces us to put everything to a test. "I have been stung before" is the modern saying.

To the individual, this, at times, seems a harsh thing to do. People like to be taken at their face value. The self-deluded have a hatred for the measuring-rod of accuracy. No man likes to be told by his physician that there is something wrong with him. No applicant for a position, or eager aspirant for a higher job enjoys the decision that for some reason, which may or may not be given, some one else is preferred before him.

But in the end, such knowledge is good for us. It stimulates us to try and overcome difficulties. It forces us, whether we will or not, to "face the music" and prove or disprove certain facts. That is why there is a mental stimulus in reading authors with whom we do not agree. Either they are right or wrong, and if the reader holds

contradictory views, it compels an investigation to see whether such conclusions are really true or not.

The weak are, of course, at a disadvantage in a test. Many banks and business concerns have all applicants whom they are about to employ passed upon by a physician. If rejected there is a feeling of anger or shame which may, in weak natures, cause them to become despondent. In reality a great good has been done to them and, in most cases, a course of treatment will remedy the trouble.

The test applies also to the mental qualifications, and those who have not fitted themselves for the higher things before them are full of bitter and often vain regrets. All men reach certain levels, dependent upon the factors entering into their lives. To overcome those attributes that hold us back and strengthen those that help is the work of life for most if not all of us. Success rarely comes before forty, and often much later. And to size up the mental needs and overcome them, an occasional test is necessary.

A vast literature is accumulating on how to preserve the health. Gymnasiums and similar aids to health for business men are opening daily. Schools and colleges have night courses and correspondence curriculums. There is no excuse for anyone not preparing to stand any test, physical or mental, along the lines of his ambition.

One of the noble pictures in history is that of a great man riding along through the snow in England, suddenly possessed with the idea that snow could be used as a preservative. A chicken was brought him which he stuffed with the snow. This experiment brought on a chill the ultimate result of which was that a great scientist was lost to the world. When Sir Francis Bacon did this he had no vision of thousands of refrigerator cars crossing a great continent or of boats especially built for carrying such products all over the world. It was the desire to put his idea to the test that actuated him. If one's duty is to make a test, one must be prepared and ready to do so fairly and impartially. If one is to be tested, one must be prepared and ready to prove the best that is in one.

# Deposit Guarantee; Its Operation, Results, Lessons

By Victor Rosewater

Data regarding deposits, claims, etc., appearing in the following article was gathered from figures as of May 1925. These were the latest figures available at the time the article was prepared.—THE EDITOR.

**T**HAT the banking situation in the western prairie states has been under severe strain during the last few years and is undergoing considerable shifting, and this despite deposit guaranty laws that were to have worked the financial millenium, is no secret. Of these states, Nebraska perhaps affords the better field for closer examination because its guaranty system is at least still functioning and exhibits the advantages along with the defects. While it may be said that no bona fide depositor in a protected Nebraska bank has lost a dollar of his money, it is also fair to ask, "At what cost and in what manner has this been brought about?"

The Nebraska deposit guaranty law was enacted in 1909 in fulfillment of promises put forth in the preceding presidential campaign in which the idea had been championed as the sure cure for all financial ailments and true antidote for the poison virus of the money power. It took a year to run the gantlet of the courts and become operative. (In theory, the plan was the embodiment of simplicity; merely a compulsory extension of the principle of co-operative insurance. Each bank chartered by the state, willy-nilly, was to contribute to a guaranty fund on the basis of average deposits, cumulating, through small annual assessments, up to  $1\frac{1}{2}$  per cent., to carry this as a credit on its books, subject to draft to pay losses that would never befall banks thus strengthened, and thereafter only to replenish the fund should it drop below 1 per cent. Is it not an axiom that depositors never

clamor for their money when they can have it for the asking? How could the assessment ever become burdensome?

## *When the Troubles Began*

Five years' smooth sailing ensued before the first failure—a crooked fail-



VICTOR ROSEWATER

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ure of a small bank whose deposits were liquidated out of the guaranty fund with ease and celerity. Not for another two years was the second failure reported. After the stringency beginning in 1919, troubles came faster and the full special assessment (then

1 per cent.) was not sufficient to maintain the fund, yet too much for banks heavily beset with other difficulties to meet. Payments on the drafts became delinquent and could not be enforced without precipitating further failures that would subject the fund to still greater depletion. A remedy was sought through amendatory legislation by which the special assessment was cut in half; i. e., limited to one-half of 1 per cent. a year in addition to two regular assessments each of one-twentieth of 1 per cent. annually. But this was partially offset by imposition of a new assessment of one-quarter of 1 per cent. constituting a Bankers' Conservation Fund to be administered by an advisory commission of bankers, appointed by the Governor from names submitted by the interested bankers in the several subdivisions of the state, acting through their own agent.

The commission, under this law, has been taking over the operation of insolvent banks, without publicly disclosing the fact, and without invoking receivership, for the purpose of saving assets and re-establishing sound conditions for the benefit of the guaranty fund as endorser of deposit liabilities, with a receivership as a last resort only when restoration appears hopeless. To help out such shaky situations, the conservation fund is employed as a deposit, remaining, of course, a preferred claim—it is an advance from the guaranty fund repayable if and when possible. The commission may also, with acquiescence of stockholders, sell the entire bank, its capital stock and assets, merely going through the form of a receivership to confirm sale and give valid title. The commission seems to be a piece of purely banking machinery; the Department of Trade and Commerce, under which the banking bureau comes and which has control of banking inspection, receivership proceedings and guaranty fund assessments, has been part of the Governor's political patronage.

#### *What Litigation Showed*

Light also is shed on the guaranty system by the litigation it has evoked. Its constitutionality was upheld by the Federal Supreme Court as a proper exercise of the police power with the declaration that "an ulterior public advantage may justify a comparatively insignificant taking of private property for what in its immediate purpose is a private use." Subsequent decisions have turned chiefly upon the definition of what constitutes a deposit protected by the fund and its application to disputed claims for re-imbursment. Comparatively little room for controversy is found in the usual deposit of money or creation of a checking account by credit items. Where the account remains subject to the control of the customer who may exact payment at any time, his preferential right is easily established. Where the claim rests upon a certificate of deposit drawing interest and running for a fixed period of time, the question presents itself whether it is in fact a deposit enjoying the promised protection or rather a camouflaged loan to the bank to be treated as a general debt secondary to the deposit obligations. Since the issue of a certificate to evidence the transaction and stipulate the conditions of interest and principal repayment is not the distinguishing feature, or rather since the certificate of deposit may be employed to cover mere loans to the bank, the underlying circumstances must be decisive on this point.

One of the earliest adjudications held the guaranty fund to repay a certificate of deposit representing the purchase of stock in another state bank in process of formation, presumably subscribed in the name of an individual. Agreement to leave the money in the bank was known to have been one inducement to the subscription. The certificate, made out to the secretary of the promotion committee, was technically paid by check and re-issued in the name of the new banking corporation four days

before the issuing bank failed. The receiver contested the claim but was overruled.

Similar liability for payment out of the guaranty fund was established in favor of three certificates of deposit in the sum of \$7500 each, held by three directors of the issuing bank, who had given their notes to a creditor bank in payment of a collateral loan made by the failed bank. It was insisted on their behalf that the bank, by release of the collateral, received the benefit of the money and that this made the claim a preferential deposit and the court affirmed this contention.

#### *Claim Involving Preferential Agreement*

In the leading case on rejection of a claim based on a certificate of deposit, it was shown that the certificate was part of an agreement to pay a rate of interest in excess of that legally permissible; the certificate on its face drew 5 per cent. interest yet an additional 1 per cent. was paid by the bank. Though the transaction was characterized by the court as fraudulent and not entitled to guaranty fund protection, it was nevertheless upheld as a loan chargeable against the assets of the failed bank and, what is more, accorded pro rata share in those assets not only with the general creditors but also with the guaranty fund. Needless to say that this interpretation quickly moved the legislature to change the law so that the guaranty fund should be subrogated to the depositors' preferential claim.

Again a bank that had guaranteed the collateral note of one of its customers held by a second bank, on its maturity issued in payment a cashier's check payable at a later date before which time it failed. The court ruled that the taking of the notes and collateral in exchange for the cashier's check constituted a deposit but, inasmuch as the check was made out for the principal and interest at 8 per cent., when the law prohibited more

than 5 per cent. interest on a time deposit, the claim was not collectible out of the guaranty fund. Yet in another instance, three certificates of deposit aggregating \$15,000 which had been issued in exchange for Liberty Bonds of equal face value and disposed of by the bank for \$13,704 in cash, were accorded priority status on the basis of the sum the bonds sold for.

So also a claim was established in full as a result of litigation where a public treasurer had made deposits exceeding the limit fixed by law and the receiver resisted payment of the excess, it being shown that the bank had included the whole amount in its reports of deposit liabilities and had computed its guaranty fund assessment upon it.

#### *Issuance of Certificate Against Negotiable Paper*

Upon appeal from rejection of a certificate issued in part payment of original certificates given in exchange for certain promissory notes thus discounted by one of the customers of a bank that later failed, the court reversed the decision and said: "Where a bank in good faith receives negotiable paper from a customer and, in place of paying the money over the counter at the time the notes are negotiated, issues to him a certificate of deposit payable at a future date, no fraud or collusion being shown, the legal effect is the same as if the money itself had been placed upon deposit, and, as respects the bank guaranty fund, the deposit evidenced by the certificate so issued stands upon the same footing as any other deposit."

While it is difficult to see the consistency of all the court rulings, the purpose undoubtedly has been to favor bona fide depositors and to bar loans or deals merely camouflaged by certificates of deposit. It is plain that the judicial treatment of these claims has varied from an extreme liberality in the beginning to a particularly strict test in subsequent cases and again later



a tendency to a more middle course.

When the deposit guaranty law was placed on the statutes books in 1909, there were 662 state banks in Nebraska. The number gradually rose to a maximum of 1032 in 1919; nearly 100 were added in a single year immediately after our entrance into the World War. At the beginning of 1925 there were 925 in operation, eighty-six having failed, about fifteen more having been taken over by the guaranty fund commission for salvage purposes, over sixty required to make assessments on their stockholders ranging from 25 to 300 per cent., and quite a number voluntarily liquidated or merged with other banks. It cannot be denied that national banks (which are outside the guaranty fund) have had rough sledding too; there were 223 national banks in Nebraska in 1909 as against only 175 at the beginning of 1925; fourteen national banks have failed in this period, not a few relinquished their charters and became state banks, went out of business or were merged. It is said that applications of twenty-eight national banks for reorganization as state banks have been turned down, seventeen at one time, which is readily understandable in the light of competitive conditions. Naturally and inevitably, the economic law of the survival of the fittest has been overriding all the man-made banking laws.

#### *Conditions Conduced by Deposit Guaranty*

To what extent has deposit guaranty been a factor in developing this situation? No one at all familiar with conditions will gainsay the conclusion that it has conduced to an over-stimulation of speculative and fraudulent schemes, to over-extension of risky credits, to lawless and dishonest banking, to huge preventable losses.

In the first place, under guaranty fund protection, all banks look equally safe to the depositor and the character of the banker, the amount of the bank's own resources, its reputation for reck-

lessness or conservatism, count for little; other inducements or advantages, often non-banking favors, come into play as business-getters. It must be remembered that, in small towns, banking is not the sole occupation of the banker who is frequently at the same time a loan agent for personal or outside funds, insurance solicitor, real estate dealer, individually interested in the local factory or lumber yard or grain elevator, and in each capacity looking for opportunities to make money for himself. He pulls all the strings within his reach to obtain accounts. He takes greater chances when he feels that his depositors, protected by the guaranty fund, cannot lose.

The post-war era multiplied the banker's temptations. The ubiquitous stock salesman was abroad in the land, offering securities for which there seemed to be an insatiable demand. Stock salesmen were commonly limited to 15 per cent. commission; by devious ways and extra payments the percentage was often doubled; Liberty Bonds, then quoted in the 80's, were taken at par; notes of the purchaser were acceptable for half of the consideration and discounted with whichever local banker would help promote the deal. If the latter insisted upon keeping the money in his bank to serve local borrowers, he was accommodated by acceptance of time certificates bearing 4 or 5 per cent. interest which were turned into the main office and, like the Liberty Bonds, discounted or sold to the big city banks or trust companies. Good as gold when protected by the deposit guaranty fund.

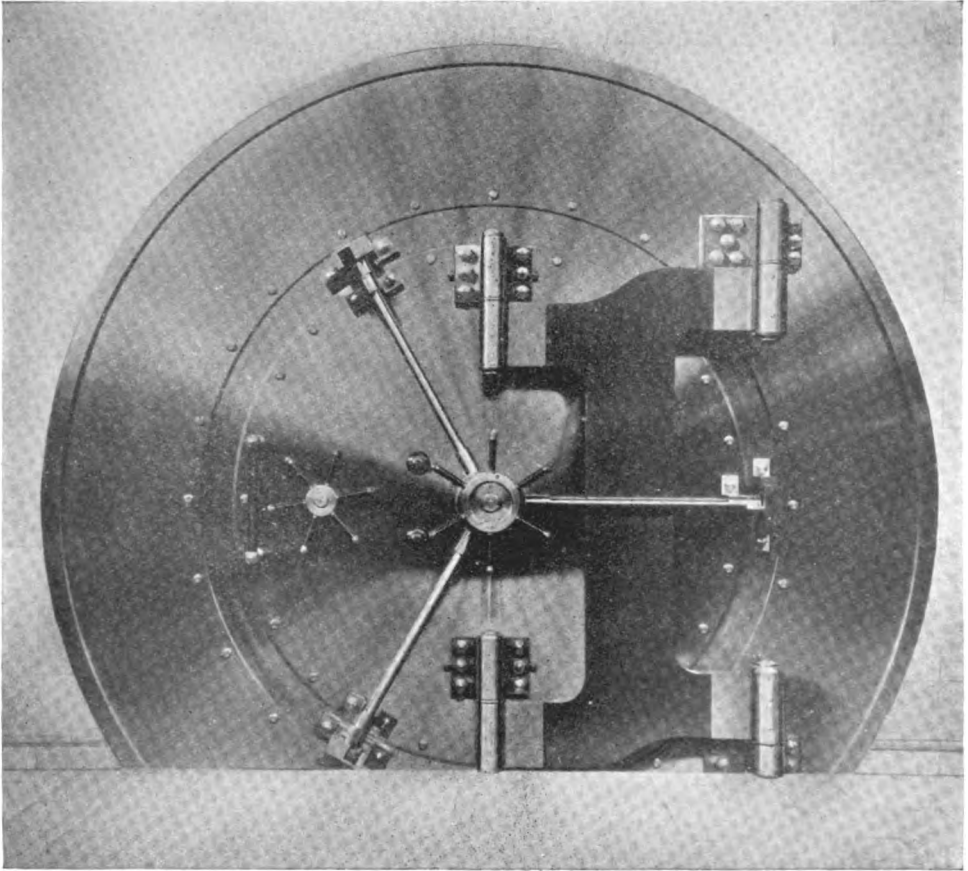
As collateral for the loan represented by the deposits, the home bank held stock in the new tire factory, the new flour mill, the new independent packing house, the new tractor concern, the new potash works, the new oil well, into whose treasury came perhaps from 60 to 70 per cent. of the sale price, but which yet was to yield twice what Liberty Bonds paid. A note secured



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by worthless stock certificates—frozen assets—millions of dollars of them.

The insurance solicitor was also canvassing the district. He wanted a local connection; he had premium notes to discount; there would be more business and annual remittances. Perhaps the banker or his son would represent the company, the money taken in could be left on deposit and the company would gladly hold the time certificates and agree to renew them at maturity. A mutually profitable agreement. Later there is a possibility of writing \$50,000 more insurance, the commission payable is limited by law, but there is nothing to prevent the company acceding to a request for a local deposit of some of its uninvested funds. Time certificates earn 5 per cent. They are good as gold—protected by the deposit guaranty fund. The banks rely on paper bearing much higher interest rates.

Someone wants to buy a neighboring farm. The price has been marked up far above what it brought a few years ago—which is the reason for the owner's selling. He will take a small cash payment and the remainder, over the mortgage, in notes, providing they can be discounted; to put the sale across he will accept certificates of deposit. The protection of the guaranty fund makes him perfectly safe. Or it may be an automobile, or a tractor, purchased on easy terms of deferred payments.

#### *Reversal in Attitude of Public*

Deserving passing mention is the reversal in the attitude of the public. Ordinarily the bank-wrecker, the miscreant who despoils widow and orphan and reduces trusting friends and neighbors to poverty, is the most odious of criminals. Sentiment runs high against him—a fair and impartial trial in the vicinage is almost impossible. But it is rarely that the culprit responsible for wrecking a guaranty fund protected bank is convicted. No longer is he a Pariah but a hero. He may have looted the bank and dissipated the money given

into his custody by the depositors, but they have not lost a dollar. With their money he has been profligate, he has loaned it indiscriminately to all who wanted to borrow and they too, though their doubtful paper is listed in the assets, are his staunch friends and supporters. He has been "a good fellow," "a liberal contributor," "a progressive citizen," "a victim of circumstances"—on one notable occasion the return of the fugitive actually witnessed an outpouring of the whole community in a popular homecoming welcoming. Only a few "unfortunates" are serving prison terms in "bankers' row."

What does the current inventory show? Here are the main items (so far as available) set down in tabular form:

|   |               |
|---|---------------|
| Number of deposit protected banks .....   | 925           |
| Total deposits .....                      | \$254,510,641 |
| Total capital stock .....                 | 24,138,700    |
| Guaranty fund .....                       | 2,209,913     |
| Number of failed banks .....              | 86            |
| Total deposits (eighty-three banks) ..... | \$ 29,131,355 |
| Nominal assets remaining .....            | 11,000,000    |
| Possibly collectible (estimate) .....     | 3,000,000     |
| Charged against guaranty fund .....       | 12,000,000    |
| Outstanding receivers' certificates ..... | 1,600,000     |
| Bankers' conservation fund.....           | 399,454       |

The figures need little interpretation. Total deposits of failed banks chargeable against guaranty deposit fund equal 50 per cent. of the capital stock of the solvent banks. The annual regular and special assessments for the guaranty fund are computed at six-tenths of 1 per cent. of average deposits and produce approximately \$1,600,000 a year. With the usual ratio of deposits, the annual assessments are equivalent to over 6 per cent. of the capital stock. Losses yet to be paid out of the fund are estimated at \$6,000,000. To meet these accrued charges, the maximum assessment permitted by law must be continued for several years. The solvent banks, therefore, must take care of their own losses and pay the losses of the failed banks before showing earnings for their stockholders.

*Who Pays the Upkeep?*

This raises the question as to who really pays what comes out of the banks through the channel of the guaranty fund. In one of the court decisions, the stockholder is likened in this respect to the taxpayer in his position relative to public funds; as if the stockholder were the ultimate bearer of the whole load. Obviously that cannot be strictly accurate in either case, for the effort is bound to be made to transfer the burden to other shoulders. The only shift the banker can make legitimately is by increasing his deposit accounts and loaning at higher interest rates. The guaranty fund has unquestionably brought greater deposit volume but the interest rate is always more or less competitive and rates above normal reflect poorer security and greater risk. Some experienced bankers insist that the advantages flowing from the guaranty fund are fully worth the cost—others confess to a desire to be relieved and a

readiness to get out of the state and into the national banking system, but also an inability to find a practicable way to effect the change. Still others believe the recent lesson has been learned and see the solution in safer banking, more efficient inspection, and supervision, and the inevitable self-righting to follow deflation of speculative values, and then a rebuilding on sound foundations. It should be noted, finally, that there is no outspoken demand as yet for repeal of the Nebraska deposit guaranty law—the repaid depositors far outnumber those called on to foot the bill. But wonderment is occasionally voiced as to whether, had the Supreme Court clearly foreseen later developments, it would have sanctioned the method of converting the property of the careful, solvent bank to the creditors of the insolvent. The lesson is the usual lesson of costly experience—an exposure of mistakes to be remedied and pitfalls to be avoided.



## A New Idea in Association Bulletins

**T**HE new "Service Bulletin" of the Merchants' Association of New York, which replaced the association's former publication "Greater New York," on January 12, is something unusual in official publications. It is designed only to further the purpose of the association, which represents New York's commercial interests in a collective manner, and it carries no advertising whatever. Collective action, however, is predicated on the fact that members are kept informed of matters needing attention, and this is the sole purpose of the "Service Bulletin."

The digest of information is contained within a folder 9 inches long and 4 inches wide, convenient for carrying in the pocket.

The reading matter within is contained on one side of pages slightly smaller than the folder cover. For the business executive who wants to tear out some item of information and send it to one of his department managers, a form is provided at the top of each page of the digest:

To .....  
Report back to .....

The pages are wire stitched in one corner, making it possible to tear out any page without injury.

Only such material as is of service to members is included, and even that is verbally condensed as though it were to be telegraphed. For example, the first issue contained: Four Year Term Suggested for Governor, Data for Traffic Relief, For Debt Treaty Approval, Customs Force Inadequate, Electrification of Steam Railroads in New York City, December Industrial Work, Ecuador Increases Import Fees, etc. There are some subjects, of course, which by their very nature cannot be covered in a brief report. These are included as inserts inside the folder, so that they do not detract from the brevity of the main digest, and may be kept or discarded, as they prove useful.

The bulletin is sent out to call attention to what the association is doing. In order to avoid monotony, it will not be published at any regular interval, but whenever there are certain matters that the association wants to bring before the members.

# Modernizing Bank Credit Methods

By Carlton P. Fuller

**S**INCE the right kind of "modernizing" never involves a complete break with the past, this article will attempt in no way to supplant the old credit beacons—"Character, Capacity, Capital." It will aim rather to suggest concrete improvements in method by which the three C's may stand out more distinctly.

Inasmuch as character is ascertained only by personal contact or references, and capacity is largely revealed by financial results, attention will be concentrated on the use of capital, and the broad conditions which affect that use.

The methods suggested are as applicable to small banks as to large, even though the details of the application may vary in every case. Whereas the metropolitan bank may secure specialists to study each line of business, the country banker is forced to be his own expert—which does not exempt him from utilizing the most efficient methods of procedure.

## *I. Analyzing the Financial Set-Up of a Borrower*

Bankers are noted for their severe conservatism in analyzing the balance sheet, and they do well to class as "slow" all doubtful assets and to carry as "current" all questionable liabilities, but many steps which might profitably be standardized are left for mental classification by the loaning officer. These steps may be discussed under the two general headings of "fundamental ratios" and "significant trends."

Again it may be pointed out that there is no suggestion of supplanting the familiar current ratio and the other time-honored tests of balance sheets and income accounts; the tests here given are additional and supplementary.

### A. Fundamental Ratios.

The meaning of "ratio" is, of course, simply relationship and therein lies the

significance of using financial ratios: the size of an item in the balance sheet or income account means absolutely nothing except in relation to the total or to the other items. These ratios are, then, the truest measure of a company's position.

It is unnecessary to suggest to bankers the significance of each of the ratios listed here, for every banker has used most of them at some time, but usually as a mental comparison and not in a definite study. The suggestion is advanced that many of the following ratios should be made fundamental tests in the routine analyses of the bank's borrowing accounts:

#### a. Ratio of

1. Net profits to net worth.
2. Net profits to volume of business.
3. Operating profits to total capital used.
4. Operating profits to volume of business.
5. Expenses to volume of business.
6. Property expenses (depreciation, insurance, taxes, etc.) to volume of business.
7. Earnings left in business to total earnings.
8. Non-operating income to expenses.
9. Current assets to current liabilities.
10. Current assets to total assets.
11. Inventory to total assets.
12. Receivables to total assets.
13. Plant to total assets.
14. Stockholders' investment to bondholders' investment.

#### b. Turnover of

15. Total capital employed.
16. Inventories.
17. Accounts receivable.
18. Plant.

#### c. Other relationships

19. Cost of borrowed capital.
20. Labor efficiency—production per employe.

Some of these ratios will be more vital in analyzing certain accounts than in others, but a thorough investigation will include them all.

When the ratios are once obtained, the question will immediately arise as to what each ratio should be in the given case; what is normal or usual for companies in that line of business? That question has never been answered fully, although the Robert Morris Associates and J. H. Bliss have worked extensively in that direction. Of course no precise answer will ever be given, on account of the infinite variations in the set-up of corporations, but useful standards *can* be obtained; e. g., it helps a banker to know that the merchandise turnover of a retail grocery store should be ten times a year, while that of an automobile manufacturer would fall closer to three times.

In addition to using the rather meagre published standards, each banker will find that he has a fairly accurate conception of what the performance in each line should be, and if he will bring together all his analyses for each industry, he will soon be able to make out for himself more concrete norms.

### B. Significant Trends.

The fundamental ratios are indispensable tools—but they are only the *tools* for use in interpreting the financial progress of a company. Moreover, the ratios for a single year do not reveal the point of greatest interest—“which way is the company headed?”

The analyst should always have in mind, not merely what is the present condition, but also, how does it compare with the past, and what does this comparison indicate for the future. It is not enough to know that the ratio of operating expenses to gross sales was 80 per cent. in 1924; that might be favorable if it showed a steady decrease from five years ago (e. g., 1920, 90 per cent.; 1921, 87 per cent.; 1922, 85 per cent.; 1923, 84 per cent.) or it might be a danger sign if it had risen, say, from 60 per cent. in the last few years.

Trends tell the story. But they do not tell the whole story. Back of each trend is a cause, which must be unearthed before an accurate interpretation of the figures is possible. An adverse trend might well be due to conditions in the industry over which the management had no possible control; nevertheless, the banker should be aware of that trend, as will be pointed out again later.

A study of trends enables a loaning officer to do something besides turn down a loan on a general hunch; he can make suggestions of definite value on particular points. Instead of saying, “We don’t quite like the looks of your last balance sheet;” he can say, “Your plant is growing too fast in comparison with the rest of your resources; sell that branch factory.”

Possibly one reason why many bankers have paid less attention to trends, particularly those over a period of years, than to present conditions is the short duration of most commercial loans. If he is well satisfied that the loan can be repaid in three or six months, the officer refuses to worry about the more distant future. When he is underwriting a bond issue, he is more concerned about that future, and many bond houses have made much deeper analyses of companies, based on the ratios and trends here mentioned, than have the banks handling accounts of the same companies.

While this difference in attitude is easily understood, it rests on the false assumption that three to six months is the limit of a commercial bank’s obligation to its customer. Any banker knows how easy it is to become tied up to a concern more or less permanently, despite all rules about cleaning up once a year. And any account which is worth taking on, is worth studying with the idea that the relationship is going to last many years. The commercial borrower should receive just as careful analysis, from almost as long a point of view, as the bond issuer.

The whole question of trends is

fundamental to the understanding of a company's prospects.

## *II. Studying the Customer's Line of Business*

The step beyond analyzing a borrower's own position is investigating the condition of his industry in general. This is always done by every loaning officer, but usually in a haphazard sort of way.

Some of the larger banks have recognized the necessity for more careful checks on industrial situations, which often outweigh the condition of an individual company, by organizing their credit departments in industrial sections—textiles, food products, metals, retailers, etc.—each section to handle the accounts in that line of business. They have recognized it also by appointing officers from various fields who will be able to handle accounts in that line more intelligently than the professional banker.

While the small bank cannot hope to engage a specialist for every industry in which it is interested, its officers and credit department (if any) can make the lines of analysis here indicated just as much a vital part of their routine as the metropolitan bank. Instead of guessing that a packing company customer will have to pay less for cattle and hogs next fall, the small, as well as the large, banker can get Department of Agriculture facts and study the corn-hog ratio.

There are four general lines of analysis for any banker to pursue in studying an industry:

### A. Seasonal Changes

Seasonal variations in such industries as ice, straw hats, and agriculture in all its forms are an old story to everyone interested in them. Department stores always expect their heaviest trade in December, and lumber dealers do best in the spring. But that is as far as most analysis goes. Although a credit man usually knows that more brick is always sold in the spring, he rarely knows just how much more is usually sold in April than in March.

Lacking this definite knowledge, it is easy to mistake for a seasonal change in a company's business, one due either to internal causes or to the broad business changes which will be mentioned later. Fortunately it is easy enough to measure this seasonal influence if five or more years' experience is available. Several methods are used and taught by statisticians, but a simple and useful one for practical business men is to average each January, each February, etc., for the period available and express each average as a percentage of the average for all twelve months. This gives an index of the normal seasonal variation for each month, and dividing the actual figures by the indexes will eliminate that variation. The figures are still influenced by long-time growth and abnormal changes, but give a fair index to the seasonal swings.

The borrowing schedules of a great many companies are based almost entirely on the seasonal character of their business, and the banker who is well fortified with an accurate knowledge of that seasonal fluctuation in the industry is at an advantage in dealing with such customers.

### B. Long-Time Growth.

A strong influence which may easily upset the interpretation of the trends a company's figures seem to show is long-time, or year to year, growth in the industry (technically known as secular trend). A borrower may proudly announce to his banker that his company has made a new sales record every year for the past decade. The banker should know that such a record is only normal for any company that keeps up with the growth of the country. He should ask, "How large has the growth been each year?" Anything over, say, 3 per cent. a year will mean real progress.

But some industries grow faster than others; witness the classic example of automobiles. Consequently a banker needs to have a pretty good idea of what to expect in each line of business. Whether he takes an approximate measure by averaging the per cent. change for the last ten or twenty years, or



takes advantage of some complicated statistical formula, makes less difference than the fact that he recognizes the presence and effects of long-time growth in studying any industry.

### C. Supply and Demand in an Industry.

No industry can be studied intelligently without encountering the factor of prices, which are, of course, basically determined by the well-known law of supply and demand. A manufacturing customer will furnish two such problems, the supply and demand relating to his raw materials, and that relating to his product.

Let us consider what a loaning officer should know or find out about a broad-silk manufacturer in this connection. First, the raw material situation: he would find convenient figures furnished monthly by the Silk Association of America which would tell him the stocks of raw silk in warehouses, the imports during the month, and the deliveries to mills; he could also get an approximate figure on the current crop in Japan. That would give him all he would need to know on raw materials, with the addition of price quotations, of course. Closely allied to the raw materials would be the labor situation, on which state employment figures would throw considerable light. When he came to examine the supply of finished broad silks in relation to the demand for them, he would find a more difficult task, for no association collects such figures for distribution. The banker would have to rely on the customer's information, and on such contributory sources as department store sales. If he had a tire manufacturing customer, he could get the production, stocks, and shipments of casings from an official source every month.

Such studies do not involve any great amount of extra work; they merely bring down to definite form the mental processes which an officer uses in judging a risk, just as the credit file now aids the credit department once carried entirely under the hat of the cashier. If results are set down in the graphical form recommended below,

they are instantly grasped and always accessible.

### D. Customs and Terms in an Industry.

In any line of business there exist many technical factors which are important considerations in the granting of credit. It is only necessary to mention season datings, trade discounts, and inspection requirements to call to mind the host of others which all have an influence on the need for bank accommodations. A banker would do well to set down these customs and terms for guidance in loan discussions.

### *III. Following the Course of General Business*

With a customer's financial condition thoroughly analyzed, and the situation in his industry clearly outlined, the credit man still has to consider the effects of general business conditions. Bankers have long been more familiar with the general situation than any other class of business men, because of their varied contacts and the broad scope of money and credit.

In recent years, however, many facts and many methods have become available which aid immensely in keeping track of the increasingly complex business situation. Many bankers have welcomed them and adopted them in their monthly letters, while there are still some who swear by the old intuitive methods and forswear statistics and all their kind. An efficient loaning officer must make use of all the aids to understanding he can find.

His predecessor found pig iron production a sufficient index to general business conditions, and it is still a good one, but he finds an improvement in the production index which the Federal Reserve Board compiles. A banker nowadays finds available many facts which ten years ago were impossible to secure. He can size up the situation logically, starting with the supply of raw materials from mines and farms, through the manufacturing processes, into wholesale channels, and finally through retail sales. At some of these stages he can get information on stocks

of goods. For the whole country, he can obtain the facts on employment.

All this data gives the banker some idea of the business cycle and holds an inkling of what to expect in coming months. In using the figures, he will be guided largely by the interpretation of the leading bank letters and the reliable business services. While these frequently disagree, they will give him different points of view from which he can make up his own mind. The important thing is to take into consideration definite facts, not a hunch, regarding the business situation when granting credit lines.

The "business cycle" will be the framework on which he hangs his facts. Although it is a subject of study only in its infancy, it is widely enough comprehended in its general aspects not to require elaboration here.

#### *IV. Some General Improvements in Methods*

##### A. Graphical Presentation.

The business man who has been used to grasping long columns of figures sometimes objects to a chart as "a new-fangled notion." He should be converted to the use of this very convenient tool by the explanation that it does not take the place of figures, but aids in their interpretation. In fact, every business man's chart should be accompanied by the figures on which it is based.

There is no mystery about the construction of charts; indeed, a chart which is not as plain as day is a failure. Any intelligent clerk can make them, and with a little practice can make them rapidly.

The great advantages of setting down figures graphically are two: (a) simplicity, and (b) revelation of trends. It is, therefore, suggested that the various ratios for individual compan-

ies, and the figures for industrial conditions and general business, be presented in this form to obtain the utmost benefit from their use.

##### B. Facts That Are Definite.

It has long been the habit of credit men to insist on accurate balance sheets, but beyond that the granting of credit has frequently depended on generalities. A company will, for example, report that "business is better now," and the credit man will be more cheerfully disposed, without asking "How much better?" and "Better than when?"

Facts can be measured. In many cases the seeker after credit is unable to furnish that measurement, but the banker will be doing him a service to insist that quantitative facts be unearthed and presented. They will surprise the business man himself more than the banker.

The business of securing definite facts instead of very general estimates is mostly a habit of mind, and one which a dispenser of credit would do well to cultivate.

##### C. General Economic Point of View.

No pursuit requires a broader outlook than banking. There was a time when the banker could confine his attention to his own town or state, and not so long ago his interest was merely nation-wide. Today he follows world movements, and finds that they vitally affect his local interests. Leading bankers are frequently leading economists.

It is this broad, impartial attitude which should be applied to the granting of credit. Since the use of credit is so largely making economic movements nowadays, can the loaning officer do better than to study those movements, analyze his customers fully, and see how the two fit together and where they are tending?



# A Dozen Rules for Sound Credit

**C**ALLING attention to twelve ingredients for healthy business, J. H. Tregoe, executive manager of the National Association of Credit Men, says that a large part of the success of his association's million dollar commercial fraud fund depended upon the adherence of business men to these dozen rules.

"There are twelve ingredients in the cure for commercial fraud. They are a dozen general principles that every credit manager should know, but which he sometimes overlooks. They are here re-iterated for the attention of business men who are not thoroughly trained in credit work and for the embryo credit men in hundreds of credit departments.

"1. Preserve all financial statements and the envelopes in which they are mailed. Be sure these statements are dated and signed and have the credit manager and his assistant affix their signatures to the envelope.

"2. Determine whether or not a financial statement is really a financial statement. Round numbers are insufficient to indicate the state of a business. Look behind the statement and see that it tells where the assets are and whether or not it indicates any lien against them such as a mortgage.

"3. Do not be satisfied with financial statements. Look up a prospective debtor's history more than five years back.

"4. Obtain national experience of ledger information about a customer through credit interchange bureaus.

"5. Determine whether or not the customer is endorsing notes for other persons.

"6. Where possible inquire of a man's trade association and his bank.

"7. Check carefully the man who has made compromise settlements.

"8. Check carefully the first unso-

licited order. Beware of easy orders; large emergency orders; and carelessness that may accompany speed in checking.

"9. Watch out for unwarranted orders such as increased orders when business conditions or the season in an industry does not warrant them. Accounts soon pyramid in this manner by orders that constantly increase.

"10. Beware of the man who buys big orders on long time future payments out of proportion to his past sales.

"11. Note whether or not a firm almost consistently fails to have its correspondence and orders unsigned or the concern which does not confirm orders.

"12. Watch for similarity of names and stationery. Become familiar with firm names and their characteristic stationery.

"If the business burglar should fool you, proceed with dispatch, but also with proper preparation, in recruiting the assistance of the fund. Here are four steps in this procedure.

"1. Gather all financial statements received from the bankrupt.

"2. Communicate with other firms that you know or believe have done business with the crook and discover whether or not they have any of his financial statements.

"3. Gather all facts that have the slightest indication that criminal fraud has been perpetrated.

"4. Present all your data to the Credit Protection Department in your district.

"In the first eight months that the Credit Protection Fund was in operation there were about 500 cases handled, nearly 150 indictments were obtained, about thirty convictions were made and almost \$100,000 was recovered in assets."

# Our Friend, The Customer

By Dale Graham

Advertising Manager, Mississippi Valley Trust Company, St. Louis

**“THE Customer is Always Right”** is a slogan adopted by a number of hotels and various other business organizations. While they do not always adhere to this principle in practice, generally speaking the customer, under the competitive conditions of the present day, is treated with great respect—almost reverence.

Yet, the writer doubts if there is any other branch of business that stands in such awe of the customer as do the banks, particularly the smaller institutions.

In many cases, anything short of closing the bank is considered more desirable than offending a customer, no matter how worthless his business may be. Somehow, it is felt to be better to carry an account at a loss than even to intimate to its owner the true state of affairs.

Whether this feeling is justified or not, it exists in a great many banks. No doubt it is engendered by a reluctance to permit the customer to go to a bank across the street, or by a realization that a successful bank must stand high in popular esteem and that no irate customer should be turned loose upon the public, or by a knowledge that there exists a general lack of understanding of banking principles and a fear that the bank's position could not be made clear. But are bankers not unduly afraid of their customers?

It is known that the banks are afflicted with a disease—unprofitable accounts. It cannot be remedied without bringing the customers into the negotiations. Can it be remedied safely, or is it best to leave conditions rest as they are?

In the case of disease of the human body, a physician first diagnoses the case and then determines what remedy, if any, may be employed. He studies the disease itself and the conditions that contribute to it. He studies the possible effects, both good and bad, of

the medicine he plans to administer.

Would we not help ourselves by adopting the physician's scientific method? Should bankers not make an X-ray of the customers with whom they are dealing? Should they not determine why unprofitable accounts exist and what, if anything, can be done about them?

Let the banker make this X-ray picture of the average customer and look at him as he really is. If a report is made of the findings, it probably would read something like this:

The customer is an ordinary human being with ordinary intelligence, but with very little understanding of banks and banking principles. He is probably a church goer and believes in the Golden Rule. He wants to play fair. He does not like to be swindled or overcharged, but wants to pay a fair price for everything he gets. He has considerable self respect and wants to be well thought of, not only by his neighbors, but also by his bank. He would not want his friends to think that his account was not highly regarded by the bank. He is not unreasonable and in no sense of the word is he a hard-boiled egg.

This analysis would indicate that the customer might not be so unapproachable on matters relating to his account as is often presumed. These are the things that remain to be done.

1. Educate the customer to understand the fundamental principles of the banking business.
2. Determine that the account is unprofitable and devise a simple analysis that will prove it to the owner.
3. Try to remedy the situation.

## *Educating the Customer to Appreciate the Banking Business*

There is a woeful lack of understanding on the part of the public not only on the subject of how banks operate, but also why they exist and the important place they fill in the community. Often they are thought of as insidious parasites that sap the life blood of industry, and of labor in particular. They are called the tools of Wall Street. They are thought to become

unconscionably rich at the expense of the people.

The average person does not realize that our complicated system of civilization could not function without banks. He does not comprehend how these financial institutions gather together from many depositors various sums, large and small, and form reservoirs of credit for financing manufacturers, crop movements, public improvements, and literally thousands of constructive enterprises.

But he could be made to understand by a simple explanation if the banker would just take time to give it to him. Two minutes of conversation like the following, for instance, should be sufficient to convince the most radical person that ever stepped into a banker's office.

Let us suppose, Mr. Blank, that we were in a community where there are no banks.

Suppose there were a thousand people who had more money than they needed for the month's requirements. They wanted it to be safe, and, if it was a sizeable sum, to be productive. But they didn't know where to lend it. So each had to start out to find a borrower who needed just the amount he had to lend.

Surely, the lenders would have to give up their jobs and devote their entire time to finding responsible borrowers! And, very often, they would be incapable of determining which were responsible borrowers.

No, that would not be practical.

On the other hand, suppose there were borrowers—merchants who needed temporary funds to carry over seasonable stocks, manufacturers who needed money to buy raw material, farmers who had to harvest their crops. The lenders wouldn't know who these people were, neither would they know who the lenders were. So they would have to start out on an equally ridiculous search for people who were willing to let them have money.

Some of them—the manufacturers, for instance—would need more money than any one or two lenders (yes, perhaps ten lenders) would be able to furnish them. This would complicate their problem exceedingly.

So that would not be practical, either.

Suppose there came a man who got some moneyed people together and started a bank. The institution was subjected to laws and regulations and was a safe and convenient place for each of the thousand lenders to keep his money. Furthermore, it was an easy place for the merchant, the manufacturer, and the farmer to go when they needed funds. But they could get money

only if they deserved it. And the banker, having made a study of credits, could form quick and accurate decisions.

Now, Mr. Blank, don't you see that banks amass idle money, guarantee its safety for their customers, and lend it to enterprises that build up communities? Don't you see that if you should take banks and bank credit from the nation, industries would stop, men would be thrown out of work and soon law and order would fail?

At the end of a simple explanation like this the radical thinker would almost be forced to admit that banks do not break communities, but, rather, make them.

Some of the prejudice that may exist against banks is based on an idea that they are owned exclusively by the rich. Of course this is known to be erroneous. Almost any banker can point out that his institution is owned by many stockholders, some in very moderate circumstances. He can point out that when a customer deals with a bank he deals with an institution owned in part by some of his own neighbors and friends.

A great many small customers have it in for their banks because they have been unable to obtain all the loans they desire. What they need is education in banking fundamentals.

The customer should know that the banker's primary responsibility is to his depositors—that bank deposits are demand deposits subject to immediate withdrawal. He should know that it is the banker's duty to keep the assets of the institution quickly available, or in liquid form, and that in determining whether a loan shall or shall not be granted, he must consider not only the borrower's ultimate ability to pay, but his ability to pay quickly. Applicants for loans might have unquestionable assets, yet, if they were such as could not be turned into money immediately or on short notice, the bank might be placed in a serious position before collection could be made.

To commercial borrowers, it should be explained why liquidity is essential—why a good ratio of quick assets to current liabilities must be maintained in order to make a bank loan acceptable. The small customer can be shown that

| ANALYSIS OF ACCOUNT                         |         |        |        |                                | August 26 to<br>September 25 1921 |
|---|---------|--------|--------|--------------------------------|-----------------------------------|
| Name <u>EXCELSTON MANUFACTURING COMPANY</u> |         |        |        | Month <u>September 25</u> 1921 |                                   |
|   | One Day | 2 Days | 4 Days | Book Balance                   |                                   |
| 26  | 421     | 86     | 136    | 1237                           |                                   |
| 27  | 317     | 102    | 511    | 1006                           |                                   |
| 28  |         |        |        | 1006                           |                                   |
| 29  | 218     |        | 622    | 1250                           |                                   |
| 30  | 90      | 175    | 317    | 1122                           |                                   |
| 31  | 122     |        | 150    | 331                            |                                   |
| 1   | 425     | 500    | 620    | 872                            |                                   |
| 2   | 311     | 26     | 916    | 925                            |                                   |
| 3   |         |        | 533    | 916                            |                                   |
| 4   |         |        |        | 916                            |                                   |
| 5   | 962     | 126    | 429    | 1122                           |                                   |
| 6   |         |        |        | 325                            |                                   |
| 7   | 120     | 350    |        | 422                            |                                   |
| 8   |         |        | 500    | 824                            |                                   |
| 9   | 222     | 75     | 372    | 216                            |                                   |
| 10  | 222     |        | 111    | 208                            |                                   |
| 11  |         |        |        | 208                            |                                   |
| 12  | 816     |        | 203    | 216                            |                                   |
| 13  | 22      | 213    | 126    | 185                            |                                   |
| 14  |         |        |        | 93                             |                                   |
| 15  | 1150    |        |        | 106                            |                                   |
| 16  | 211     | 186    | 58     | 205                            |                                   |
| 17  |         |        | 120    | 302                            |                                   |
| 18  |         |        |        | 302                            |                                   |
| 19  | 316     |        |        | 211                            |                                   |
| 20  | 232     |        |        | 117                            |                                   |
| 21  | 50      | 423    | 316    | 503                            |                                   |
| 22  |         |        | 125    | 296                            |                                   |
| 23  | 152     | 385    |        | 318                            |                                   |
| 24  | 325     | 45     | 316    | 348                            |                                   |
| 25  |         |        |        | 348                            |                                   |
|   | 6586    | 2701   | 6551   | 17,273                         |                                   |

| SUMMARY  |                      |
|--|----------------------|
| Total of Daily Balances }<br>(Divide by days in month) | . . . 31) \$ 17,273- |
| <b>AVERAGE DAILY BALANCE</b>                           | <b>\$ 557-</b>       |
| One-day items . . . . .                                | \$ 6,586             |
| 2 X Two-day items . . . . .                            | \$ 5,402             |
| 4 X Four-day items . . . . .                           | \$ 26,204            |
| Float One-day Basis }<br>(Divide by days in month)     | } 31) \$ 28,192      |
| <b>AVERAGE DAILY FLOAT</b>                             | <b>\$ 1,232-</b>     |
| <b>NET OVERDRAFT</b>                                   | <b>\$ 675-</b>       |
| 15% Reserve . . . . .                                  | \$ 84-               |
| <b>DEFICIT BALANCE</b>                                 | <b>\$ 759-</b>       |
| <b>OVERLOSS</b> for month at 6% . . . . .              | <b>\$ 379</b>        |
| Printing Checks 9-5-21                                 | \$ 250               |
| Need for Pay Roll 10-20-21                             | \$ 198               |
| <b>Total Loss</b>                                      | <b>\$ 1,227</b>      |

Name 10% loan 6% due 10-1-21

Specimen account analysis sheet used in determining customer's average daily balance and to find to what extent he is checking against float

his failure to keep accurate books and render satisfactory statements handicaps his ability to borrow.

Another thing that perplexes a good many customers is the fact that discrimination is often made in the matter of interest rates. But it is easy to explain that a large customer frequently commands a better rate for two reasons: First, he maintains better deposit balances and a bank makes a profit from his business; second, he furnishes a clean-cut audited financial statement and the administrative expense of lending a large sum is less than that of lending the same amount of money to fifty various individuals or concerns, each requiring full investigation by the officers and credit department.

The first reason explains why banks often require a deposit balance of a certain percentage of the customer's borrowings. A bank is a service institution. It has heavy demands for loans, and naturally must favor its deposit customers.

He that would be a borrower must naturally expect to be a depositor.

*The Unprofitable Account*

Perhaps the customers who need the most education are those who check against float and those who maintain very small balances. City banks have very elaborate systems of analysis, not only to determine for themselves what accounts are profitable or unprofitable, but to have something to show the customer himself in explanation.

Even the smallest bank can use the simple analysis illustrated on this page, to determine whether a customer is checking against float, and may use that analysis to educate him to see the injustice of such a practice and to convince him that he should carry a better balance.

Most small customers do not realize that their accounts are not profitable; and, if the banks do not tell them, they cannot be blamed for maintaining balances that do not compensate for the

expense of handling these accounts.

The public does not have a clear conception of how a bank makes money. Many people imagine a bank has magic ways of earning—almost coining it. Somehow, they think that a hundred dollars deposited on Monday means about a hundred dollars profit for the bank, even if the money is withdrawn on Friday.

Yet, if they stopped to think about it, they would realize that all a bank receives is the interest on the loanable funds remaining after the necessary legal and cash reserves are deducted.

But any one with a pencil and a scrap of paper could figure out this analysis:

|  |          |
|--|----------|
| Amount of deposit .....                  | \$100.00 |
| Legal and cash reserves .....            | 15.00    |
| <hr/>                                    |          |
| Loanable funds .....                     | \$ 85.00 |
| Income for one month at 6 per cent. .... | .42      |

Thus, it can be shown that a bank earns only about 42 cents gross per month on each hundred dollars deposited, if no interest is allowed the customer. Even this amount is dependent upon an income of 6 per cent. from loans, which is higher than the normal average rate of return.

Out of this 42 cents income per hundred dollars of deposits, the bank must pay overhead expenses such as salaries of officers, clerks, tellers, bookkeepers, and cost of machinery, light, power, building, expense, rent, ledgers, check books, statements, pass books and many various services.

The writer thinks we can depend upon our X-ray of the average bank customer and assume that he is an ordinary human being and wants to do what is fair. That he is quick to see the injustice of the small account has been proved in nearly one hundred cities that have adopted service charges.

For many years the banks in these cities also stood in awe of the borrower, and refrained from asking what they

knew to be only their just due because they were afraid of prejudice and unfavorable advertising. Through cooperation in some cases, and without it in others, service charges varying from 50 cents to \$1 a month have now been placed on checking accounts falling under various minimums. In no instance, as far as the writer knows, has such a charge been abandoned because it was unsuccessful. In no instance has the number of disgruntled customers come near approaching the number of people who, after the proper explanation had been made to them, saw the justice of the bank's position and either willingly paid the charge or increased their balances.

The Missouri Bankers Association has prepared and furnishes to its members at cost a series of educational booklets—each of which takes but a minute or so to read—setting out in clear language some of the cardinal principles of banking and the proper relation of banks to the public and to customers in particular. This is but a step toward bringing about a better understanding, and enabling the banks to reduce the number of unnecessarily unprofitable accounts. These booklets merely relieve the banker from telling his story to the customers personally.

In the banking business today nearly all of the evils and unsatisfactory situations that exist between banking institutions and their customers can be remedied by a better education of the public to what the banks do and have a right to expect. It is a great undertaking to try to bring about a thorough knowledge on the part of the people—one that probably never will be accomplished. But as the years go by bankers can build greater banks and a greater nation by bringing themselves into a better understanding with our friend, the customer, and drawing him closer to them.



# Educating the Public on Value of Life Insurance Through Scholarship Contest

## Detroit Bank Opens \$5000 Scholarship Essay Contest on Contest on Subject of Life Insurance

**L**AUNCHING its third annual scholarship essay contest, this year on the subject "The Advantages of Life Insurance," the Union Trust Company, Detroit, entertained upwards of 500 guests at a dinner-meeting recently at the Hotel Statler in that city. Those present included the heads of all Detroit insurance agencies, high officials in the insurance world, and senior class presidents, principals, editors and superintendents of 130 high schools in and near Detroit.

This contest is unique for, as far as known, no similar program to educate the public on the value of life insurance has ever been attempted by any trust company. Five scholarships of \$1000 each will be awarded to those submitting the five best essays which are limited to 2000 words. Winners may select any standard college in this country. Three prominent citizens of Michigan will act as judges.

"We chose the subject of life insurance on account of its great economic and social value. Not a day passes but what we observe in our offices the good that life insurance is doing for our friends—the public. So firmly do we believe in it that we have just emblazoned on large poster boards located at strategic points about the city the words 'We Believe in Life Insurance,'" said President Frank W. Blair, in commenting on the contest. "These contests are conducted by the Union Trust Company with one purpose in mind—to stimulate the interest of high school students in the great economic and financial subjects with which every American citizen should be acquainted."

School officials and librarians are aiding in many ways. A bibliography has been prepared by the Detroit Public Library and a copy is being furnished to each contestant. It contains over 350 references on the subject of life insurance. School principals have arranged speaking engagements before senior classes for a representative of the trust company to outline the plan and purpose of the contest. Literature and bulletins are being distributed by senior class

presidents. Articles concerning the contest are being carried in high school papers. The Detroit Life Underwriters are assembling reference books containing scores of life insurance booklets and will furnish one to each high school.

Frank L. Jones, president National Association of Life Underwriters, Indianapolis; Winslow Russell, vice-president Phoenix Mutual Life Insurance Company, Hartford, Conn.; Edwin L. Miller, assistant superintendent Detroit Public Schools; and John A. Reynolds, assistant vice-president Union Trust Company, were the principal speakers. An insurance film, "It Might Happen to You" received much applause.

### *Social Aspects of Life Insurance*

Speaking on the subject "The Social Aspects of Life Insurance," Mr. Jones said, in part: "Life insurance is getting out into the economic and social institutions of man until we can almost say that it is bought today in as large quantities for other purposes as for the purposes of the family. The object that man has and which he is ever conscious of, is the maintaining of the social group in which he lives. Therefore, in the strictest sense, life insurance has as its use, especially, the maintaining of social standards and the social group. We worship in groups; we educate in groups; we live in groups; we perform our business in groups. In all groups, whatever they may be—the transportation group, the home group, the banking group, the church group, the educational group—life insurance is taken for some purpose which describes and maintains, and, of course protects the relationship which man has to those various groups.

"I might say for the benefit of the school men here, the educators here, that they have no greater help to education today than life insurance. I would hesitate to say, because I have not even the near figures, how many boys and girls in this country today are getting their college educations on the proceeds of life insurance?



policies which their parents took. They run into the hundreds and thousands, single companies having fifty, sixty or seventy thousand such policies—policies which will provide college educations for the children of these men and women who took insurance. It can be truly said that life insurance is solving this one great fundamental and social problem of life.

"One of the outstanding social problems in America is that of the proper relationship of employer to employe. About four years ago that problem was attacked by life insurance; and today, the only practical solution—not in whole, but in part—of that very intricate problem, is the scheme of group insurance that we have. Many companies have this problem. It is a social problem. It is being attacked. It is being settled and helped by life insurance.

"The great problem of benefactions and charities, one of our great social problems in this country, is solved almost wholly by charity. We are just now beginning, in life insurance, to help solve that great human desire to be charitable, so that you can deposit simply the interest of the money each year up to the time of your death, and then leave whatever you want to from \$1000 to \$2000, \$10,000, \$50,000 or \$100,000—in other words, this great social desire which you and I have to carry on the work of society, will finally be solved, in my opinion, in a great measure by life insurance."

#### *Life Insurance as a Business Stabilizer*

Mr. Russell, who spoke on the subject "Putting Life into Life Insurance," opened his remarks as follows:

"Life insurance is one of America's greatest stabilizers. To be that, it must represent life, and not death. Take away from our American business life the funds that are accumulated for keeping life in our homes, and heat, power and transportation projects would be forced to deterioration, for very large sums are invested in the securities of public utilities, power plants and transportation enterprises. Much of the food that is consumed in the City of Detroit, and in every other city is made possible by a very large amount of policy holders' money, loaned through mortgage loans upon the farms all through this country. Many millions of dollars are loaned annually. Ten billion dollars of the accumulated money reserves of the policy holders of American life insurance is invested at this time in

worthy and carefully selected enterprises.

"Life insurance is a stabilizer of credit. No conservative banker would extend credit far unless he could be assured that it was protected, in order to prevent losses upon others, through life insurance taken out to protect that credit.

"Another side of the picture: Over here on one of your streets in Detroit is a home. The heat, light and food used there are very closely related to the life insurance premiums that may be paid even by people on the opposite side of the street. The funds of life insurance companies help to build the homes. The owner of the home had two choices; he had the choice of deferring to those who might be left the responsibility of attempting to keep life in that home, with all of the care and worry that that may mean, or, of proceeding in an orderly manner to keep life in that home. He chose the latter way. The first thing he did was to consult an officer of a trust company, because he realized, as he thought it through, that his wife had other problems than business affairs. She knew little of stocks, bonds and mortgages. Her attention had been given to keeping the home in order, and raising the family. When the representative of that trust company called on her, he might have taken the words in part of a great leader of earlier days, and he might have said, 'I have come to bring you life more abundantly, because your husband provided for you through life insurance. He arranged with us so that you are to be relieved of all the business problems of this home. The mortgage, through life insurance funds, has been paid by us, and your home is free for you and the children. You will receive a check each month to pay bills that are necessary. When the taxes on the home come due, you need not worry about them. He has provided it so that we shall draw checks to keep those taxes paid. And, as the children become of college age and are in need of that education, he has also provided a fund which we shall dispense for him, in order that the children may be properly educated.'

"For a long time, we in the life insurance business have thought that our job was to create estates. Then, during the later months and years, it dawned upon us that only half of our job is done when we create estates, and that the other half of the job, which is just as essential as the creation of the estates, is their conservation."

# Banking and Commercial Law

SPECIAL

**THE BANKERS  
MAGAZINE**

SECTION

1810



1926

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# Rights of Collecting Bank Where Drawee Bank Fails Before Check Is Collected

Commercial Bank and Trust Company v. Minshull, State Supervisor of Banking,  
Supreme Court of Washington, 242 Pac. Rep. 29.

**A** QUESTION was presented in this case as to whether a bank receiving checks for collection could set off the amount of the checks against the deposit of the drawee bank where the drawee bank failed before the checks could be collected. It was held that the collecting bank had this right of offset.

It was the custom of the plaintiff bank to receive from other banks checks drawn on the Bridgeport State Bank, to give the depositors credit at the time of the deposit and to permit them to draw immediately against the credit. To offset the expense incurred by the plaintiff bank in carrying on this custom, the Bridgeport bank kept a deposit with the plaintiff.

On September 26, 1923, the plaintiff bank forwarded to the Bridgeport bank a number of checks drawn upon the latter, which the plaintiff had received from its depositors. The plaintiff gave the depositors credit for amounts of their respective deposits and the same were drawn against. Before the checks in question could be collected, the Bridgeport bank failed. In this proceeding by the plaintiff bank against the State Superintendent of Banking, it was held that the plaintiff could set off the amount of the checks against the Bridgeport bank's deposit with it, and it was further held that this right was not affected by the fact that the plaintiff bank had reserved the right to charge back to its depositor uncollected checks.

Action by the Commercial Bank and Trust Company against J. C. Minshull, as State Supervisor of Banking, and another. Judgment for plaintiff, and defendants appeal. Affirmed.

## OPINION

**FULLERTON, J.**—The Bridgeport State Bank, of Bridgeport, in Douglas county, was taken over because of insolvency by the State Supervisor of Banking on September 28, 1923. For a long time prior thereto the respondent, Commercial Bank and Trust Company, of Wenatchee, in Chelan county, was its principal correspond-

ent bank. It was the custom of other banks in the counties adjoining the County of Douglas, which should acquire paper payable by the Bridgeport bank, to forward the paper for collection through the respondent bank. The respondent bank, on receiving paper of this sort, would credit the face amount thereof to the bank sending it, and allow such bank to check or draw against the account at once, whether or not it had then collected from the Bridgeport bank. The Bridgeport bank recognized this custom, and, to meet the outlay the respondent would incur by the custom, it maintained a deposit with the respondent. The amount of this deposit necessarily varied from time to time; it, however, at the close of business on the day preceding the time the Bridgeport bank was taken in charge by the State Supervisor of Banking, amounted to the sum of \$1,597.26.

Immediately prior to September 26, 1923, the respondent received from the various banks mentioned, and from individuals, checks drawn on and payable by the Bridgeport bank, aggregating the sum of \$1,634.70. With reference to these, the bank followed its usual custom; it treated them as cash items, crediting the amount thereof to the accounts of the respective depositors and allowing the depositors to check against the accounts. All of the depositors, or practically all of them, availed themselves of the privilege of checking against their accounts, so that, at the close of business on September 27 following, the aggregate deposit of each of the several depositors was much less than the aggregate of the checks received.

On September 26, 1923, the respondent bank forwarded the checks to the Bridgeport bank for payment, and that bank immediately forwarded to it drafts on a Seattle bank in sums equaling the amount of the checks. These the respondent forwarded to the Seattle bank, but before they were paid by that bank the Bridgeport bank passed into the hands of the State Supervisor of Banking as before stated, and payment was refused. In due time the respondent presented to the state officer in charge

of the liquidation of the Bridgeport bank a claim in which it sought to offset the amount of the deposits against the amount of the drafts. The supervisor of banking refused to recognize its right so to do, and allowed the claim as a claim of a general creditor. The present proceeding was instituted to enforce the claimed right of offset. The trial court determined the question in favor of the respondent, and the supervisor appeals.

It is our opinion that the conclusion of the trial court is right, and that its judgment must be affirmed. In virtue of the transaction, the respondent became the owner of the checks at the time it received them, and credited their various amounts to the accounts of the persons from whom it received them. *Old National Bank v. Gibson*, 105 Wash. 578, 179 P. 117, 6 A. L. R. 247; *Vickers v. Machinery Warehouse & Sales Co.*, 111 Wash. 576, 191 P. 869; *Raynor v. Scandinavian Am. Bank*, 122 Wash. 150, 210 P. 499, 25 A. L. R. 716; *Washington Shoe Mfg. Co. v. Duke*, 126 Wash. 510, 218 P. 232, 37 A. L. R. 611.

It is possibly true that the respondent reserved the right to charge the amount of the checks back to the persons from whom it received them, in the case they were repudiated or, for some other reason, not paid by the bank on which they were drawn, but this in no way affected its title to, or ownership of, the checks. The precise question was presented to us in the case of *Vickers v. Machinery Warehouse & Sales Co.*, *supra*, concerning which we said:

It has been argued that the fact that the Chicago bank took this draft considering that it had the right to charge the same back to the machinery company if it were not paid, shows that the bank did not become the absolute owner of the draft; that it could not maintain the dual position of being the absolute owner and at the same time reserve the right to charge back if the draft were not paid. This argument is fully answered by the Supreme Court of the United States in *Burton v. United States*, 196 U. S. 283 [25 S. Ct. 243, 49 L. Ed. 482], when it says: "The testimony of Mr. Brice, the cashier of the Riggs National Bank, as to the custom of the bank when a check was not paid, of charging it up against the depositor's account, did not in the least vary the legal effect of the transaction; it was simply a method pursued by the bank of exacting payment from the indorser of the check, and nothing more."

Within this view of the law the respondent had the right to offset the amount of the

checks against the deposit at the moment it received them and credited the amounts thereof to the accounts of the persons from whom it received them. This was a continuing right, and was not affected by the fact that the bank by whom they were payable subsequently became insolvent. *Dunlap v. Seattle National Bank*, 93 Wash. 568, 161 P. 364; *Puget Sound State Bank v. Washington Pav. Co.*, 94 Wash. 504, 162 P. 870.

The judgment of the trial court will stand affirmed.



### Indorser Discharged for Lack of Diligence in Giving Notice of Dishonor

*Bost v. Rexine Co.*, Court of Appeals of District of Columbia, 8 Fed. Rep. (2d) 795.

The defendant indorsed a note in blank for the accommodation of the maker. At the time of the indorsement, the space for the payee's name was blank. The note was later made payable to the plaintiff company. At maturity, a notary public took the note to the maker's office for the purpose of presenting it, but was informed by the maker's clerk that the maker was not in. The notary returned to his own office, examined the city directory and telephone directory and not finding the defendant's name in either, sent a notice of dishonor to the defendant addressed to the maker's office. The notary made no inquiry of either the maker or his clerk as to the defendant's address. It appeared that the defendant had an office address at which he received his mail and that the notice of dishonor sent by the notary was never received by him. It was held that the notary had not exercised reasonable diligence in ascertaining the defendant's address and that, therefore, the defendant was discharged from liability as indorser.

Action by the Rexine Company against James Lee Bost. Judgment for plaintiff, and defendant brings error. Reversed and remanded.

Before Martin, Chief Justice, and Robb and Van Orsdel, Associate Justices.

#### OPINION

MARTIN, Chief Justice.—The Rexine Company, now defendant in error, was plaintiff in the municipal court, and sued James Lee Bost, now the plaintiff in error, claiming judgment against him upon a certain promissory note.

There is no issue of fact involved in the case. It appears by stipulation that on March 7, 1923, one R. Spencer Palmer prepared and signed as maker a certain promissory note for the sum of \$279.25, payable on May 20 after date, with a blank left for the name of the payee. The note was then indorsed in blank by the defendant, James Lee Bost, for the accommodation of the maker, Palmer, and thereafter by the latter was made payable to the order of the Rexine Company, and delivered to that company. Palmer's address, but not Bost's, appeared upon the note.

On the date of the maturity of the note, it remaining unpaid, a notary public at about 3.15 p. m., went to the office of the maker, Palmer, in the Warder building in Washington, D. C., and made inquiry for him, but was informed by a clerk in the office that Palmer was not in at present. The notary then returned to his own office, examined the city directory and the telephone directory, but did not find Bost's address in either of them. He thereupon sent a protest and notice of dishonor to both Palmer and Bost at the address of Palmer, in envelopes bearing the return card of the notary. Neither of the notices was returned to him. The notary made no inquiry either of Palmer or his clerk as to the residence or business address of Bost. The latter never had an office or residence in the Warder building, nor did he ever receive his mail at that address; but he had an address in the Southern building in Washington, D. C., at which he received mail, as well as an office in the Finance building, Philadelphia, where he also received mail. Palmer knew of both of these mailing addresses of Bost on the day of the maturity of the note. In the language of the stipulation, "Notice of presentment, demand and dishonor, written or oral, was never received by the indorser, Bost; that is, as required by the Negotiable Instruments Law, with respect to holding indorsers."

Upon these facts the lower court ruled that it was bound to hold that the defendant was a joint maker of the note sued upon, under the doctrine declared by this court in *Ryan v. Security Savings and Commercial Bank*, 50 App. D. C. 292, 271 F. 366, and judgment was entered against him accordingly. The defendant as plaintiff in error now claims a reversal.

The first question in the case is whether Bost's liability upon the note was that of maker or indorser. We think that under

sections 1367 and 1368, D. C. Code, he was liable as an indorser only. These sections are derived from the Uniform Negotiable Instruments Act, which has been generally adopted by legislation throughout this country. They read as follows:

**Sec. 1367. Irregular Indorsement.**—A person placing his signature upon an instrument otherwise than as a maker, drawer, or acceptor is deemed to be an indorser, unless he clearly indicates by appropriate words his intention to be bound in some other capacity.

**Sec. 1368. Signature in Blank by Stranger.**—Where a person not otherwise a party to an instrument places thereon his signature in blank before delivery he is liable as indorser in accordance with the following rules:

First. If the instrument is payable to the order of a third person he is liable to the payee and to all subsequent parties.

Second. If the instrument is payable to the order of the maker or drawer, or is payable to bearer, he is liable to all parties subsequent to the maker or drawer.

Third. If he signs for the accommodation of the payee he is liable to all parties subsequent to the payee.

It is true, as interpreted by the municipal court, that our present ruling is inconsistent with the holding of this court in *Ryan v. Security Savings and Commercial Bank*, 50 App. D. C. 292, 294, 271 F. 366. In that case, when speaking of the liability of one whose name appeared upon the back of a promissory note, we said:

The mere fact that he wrote his name on the back of the notes does not show even prima facie that he was a technical indorser. It is important to know when and under what circumstances he wrote his name there. If it was before or near the time the notes were delivered, or after they were delivered, but for the purpose of strengthening the credit of the note, and before the payee had indorsed, he would be a maker, and not entitled to any of the rights or privileges of an indorser.

We are constrained to say that this doctrine is in violation of sections 1367 and 1368, D. C. Code, above quoted, these sections not being mentioned in the record or briefs filed in that case, nor in the opinion delivered by this court therein. The ruling as aforesaid in *Ryan v. Security Savings and Commercial Bank* is disapproved and overruled. *McDonald v. Luckenbach*, 170 F. 434, 95 C. C. A. 604; *Rockfield v. First*

National Bank, 77 Ohio St. 311, 83 N. E. 392, 14 L. R. A. (N. S.) 842; Deahy v. Choquet, 28 R. I. 338, 67 A. 421, 14 L. R. A. (N. S.) 847; Lightner v. Roach, 126 Md. 474, 95 A. 62; Gibbs v. Guaraglia, 75 N. J. Law, 168, 67 A. 81.

The next question in the case is whether notice of the dishonor of the note was served upon Bost as indorser, as required by the statute. This subject is treated in the District of Columbia Code as follows: Section 1393 provides that notice of dishonor must be given to each indorser, and that any indorser not notified is discharged; section 1412 provides that if an indorser has given an address, notice of dishonor must be sent to that address, but, if he has given no address, then the notice must be sent either to the post office nearest his residence, or to the post office where he is accustomed to receive his letters, or if he live in one place and have his place of business at another, notice may be sent to either place; section 1416 provides that notice of dishonor is dispensed with when, after the exercise of reasonable diligence, it cannot be given to or does not reach the parties sought to be charged.

It is stipulated in this case that no notice of presentment, demand, and dishonor, written or oral, as required by the foregoing provisions, was ever received by the indorser, Bost. The sole remaining question, therefore, is whether reasonable diligence was exercised to notify him according to the statute.

We answer this question in the negative. The only effort which the notary made to ascertain Bost's address was by examining the city and telephone directories. When he found no address given in either, he sent the notice to the same address as Palmer's, although he had no reason to believe that Bost received his mail there. The notary made no inquiry of Palmer or his clerk, although the former, as might have been expected, knew Bost's address. These facts are not sufficient to show reasonable diligence.

In Bacon v. Hanna, 137 N. Y. 379, 382, 33 N. E. 303, 20 L. R. A. 495, the court said:

Merely looking into a directory is not enough. The sources of error in that process are too many and too great. Such books are accurate enough in a general way and convenient as an aid or assistance, but they are private ventures, created by irresponsible parties, and depending upon information gathered as cheaply as possible and by unknown agents. Their help may be invoked, but, as was said in Lawrence v. Miller, 16

N. Y. 231, their error may excuse the notary, but will not charge the defendant. Merely consulting them should not be deemed "the best information obtainable by diligent inquiry."

In Whitridge v. Rider, 22 Md. 548, when speaking concerning the action of a notary, the court said:

He failed however to apply to the makers of the note, although he proves that he knew them and that their place of business was but one square from his office. The reason he assigns for not doing so, was their presumed interest not to give him correct information. We think that in this he failed in his duty.

See, also, Hill v. Varrell, 3 Greenl. (Me.) 233, 238; Gilchrist v. Donnell, 53 Mo. 591, 594; University Press v. Williams, 48 App. Div. 188, 62 N. Y. S. 986; Powder Co. v. Rooney, 63 Misc. Rep. 344, 117 N. Y. S. 220.

We conclude accordingly that the plaintiff in error was an indorser only upon the note, and that he was not notified of its dishonor as required by statute, nor was reasonable diligence exercised in an effort to notify him. Consequently he was not liable to the defendant in error upon the note, and the judgment below is reversed with costs.

The cause is remanded for further proceedings not inconsistent herewith.



### Person Permitting Shares of Bank Stock to Stand in His Name Liable as Stock- holder on Bank's Failure

Shaw v. State ex. rel. Mothersead, Acting Bank Commissioner, Supreme Court of Oklahoma, 241 Pac. Rep. 747.

The president of a bank desiring to purchase shares of the bank's stock, owned by one of the bank's stockholders, borrowed money for that purpose from the defendant. It was agreed that the stock should be pledged as security for the loan. The certificate was issued in the defendant's name and placed in his safe deposit box. The defendant had knowledge of this and permitted the certificate to remain in that form. Upon the failure of the bank, two years later, it was held that the defendant

was subject to the statutory stockholders' liability. Although, ordinarily, the pledgee of bank stock is not liable as a stockholder, he will be held liable where, as in the present case, he permits himself to be held out to the public as the actual owner of the stock.

Action by the State of Oklahoma, on the relation of O. B. Mothersead, Acting Bank Commissioner, against M. V. Shaw, to recover a sum of money equal to the par value of bank stock appearing in the name of the defendant. Judgment for plaintiff. Defendant appeals. Affirmed.

#### OPINION

STEPHENSON, C.—The State of Oklahoma on the relation of the Acting Bank Commissioner commenced its action against M. V. Shaw for the recovery of a sum of money equal to the par value of the bank stock in the State Bank of Mt. View, appearing in the name of the defendant, as the unconditional owner. The action was commenced, as provided by statute, after the bank became insolvent, and was placed in charge of a liquidating agent.

The defendant filed his answer, which was in substance: (1) A general denial of liability; (2) that the stock was held as collateral security for the payment of indebtedness owing by the president of the bank to the defendant, and that the defendant was not the owner of the stock. The trial of the cause resulted in an instructed verdict for the plaintiff and against the defendant. The defendant has appealed the cause here and assigns several of the proceedings had in the trial of the cause as error for reversal here: (1) That the verdict and judgment are contrary to the evidence and the law; (2) error of the court in instructing the jury to return a verdict against the defendant.

The plaintiff in error makes the point that the evidence is insufficient to support the verdict and judgment in respect to the insolvency of the bank. The evidence offered by the state was sufficient to establish the insolvency of the bank and the defendant did not offer any evidence in rebuttal or cross-examine the witness testifying upon this question.

The defendant, in substance, testified: That the president of the bank desired to purchase the shares of stock owned by one of the stockholders of the bank, and borrowed \$3000 from the defendant to make

the purchase; that the defendant made the loan upon the promise of the bank president to pledge the stock so purchased from the loan as security for the payment of the money borrowed from the defendant; that the defendant was advised that the stock had been placed in his safety deposit box at the bank as a pledge for the loan. The defendant further testified: That he examined the certificate of stock about sixty days after it had been placed in his safety deposit box, and found that the same showed that the stock was issued in his name; that he advised the president that the stock that was to be purchased from the former owner was the stock to be pledged, and requested that such purchased stock be substituted for the stock issued to him in his own name. The evidence further shows that the stock in question was carried in the records of the bank in the name of the defendant as the unconditional owner for a period of two years.

The court, no doubt, took the view at the close of the trial that the evidence of the defendant did not constitute a defense to the action commenced against him by the bank commissioner for the recovery of a sum of money equal to the par value of the stock, as provided by statutes, on account of the insolvency of the bank. There being no dispute upon the evidence offered by the state to show the insolvency of the bank, there was no issue of fact then for submission to the jury, and the court instructed the jury to return its verdict for the plaintiff. There is sufficient competent evidence to support the issue in favor of the plaintiff on the question of the insolvency of the bank of Mt. View.

The judgment ought to be affirmed if the trial court was correct in its views that the evidence of the defendant did not constitute a defense to the action. The evidence of the defendant places him in the attitude of permitting the bank of Mt. View to hold him out to the public as a bona fide owner of \$2000 worth of stock for a period of two years. Under the statutes and the law, the pledgee or holder of stock, placed with him as collateral security for a debt or pledge, will not be liable for the penalty provided in case of insolvency of the bank, as owner of the stock, unless such pledgee permitted himself to be held out to the public, according to the records of the bank, as owner of the stock. Even though the defendant received the stock as a pledge to secure



the payment of a loan, he will not be permitted to plead and prove this as a defense in this action where he has permitted himself to be held out to the public by the records of the bank, as owner of the stock for a period of two years, until the insolvency of the bank became a fact. The

defendant had ample opportunity to cause the records of the bank to be corrected to speak the truth long before the institution became insolvent. *Blackert v. Lankford*, Bank Commissioner, 74 Okl. 61, 176 P. 532.

It is recommended that the judgment be affirmed.



## Industry Tending to Lower Levels

From the *Guaranty Survey*, published by the Guaranty Trust Company, N. Y.

**A**TENDENCY toward moderately lower levels of activity has developed in several branches of trade and industry in recent weeks.

This is especially true of retail trade, which has been adversely affected by extremely unfavorable weather in many sections of the country. The trend of manufacture and distribution in general has been characterized by a fair degree of stability, although here also curtailment has been reported in some lines.

These recessions, however, are due at least in part to purely seasonal factors, and do not necessarily indicate any significant change in the general situation. On the whole, it appears that the volume of business is at least as large as a year ago, and that confidence with respect to the near-term outlook is unimpaired.

### *Basic Industries Continue Active*

Activity in most of the basic industries is still very high, despite these recessions. That the rate of manufacture was somewhat in excess of current orders was indicated by the decrease of 150,625 tons during January in unfilled orders on the books of the United States Steel Corporation. At the end of January, however, operations were at a considerably reduced rate, and some further curtailment took place in February. The slowing down of schedules has been due in part to the abnormally high price of coke resulting from its popularity as a domestic fuel substitute. Steel prices, on the other hand, have continued to recede slowly, further emphasizing the need for an adjustment of plant operations to current demand.

The automobile industry is considerably more active than ever before at this season. The rate of operations maintained in the

early part of this month indicates that the total output will be even larger than that of January. While there has been some accumulation of stocks in the hands of dealers, the tendency has been less pronounced than might be supposed in view of the heavy output. The used car situation, however, continues to be a source of some concern.

The volume of new building undertaken in January was somewhat smaller than in December 1925, but was much larger than the previous seasonal record.

### *Prices and Money Rates*

The general trend of commodity prices has been downward since the first of the year. A moderate downward tendency has been visible also in money rates, though the decline appears to have been checked recently. In fact, call loan rates have moved upward, while time loan and commercial paper rates have remained firm since the beginning of February, but at a level perceptibly below that of the closing weeks of 1925.

The initial reports of the New York Stock Exchange and the Federal Reserve Board on loans to brokers show a total volume of credits based on security collateral considerably in excess of the advance estimates, although their exact significance is doubtful in the absence of any definite basis of comparison.

January foreign trade marked a resumption of the merchandise import balance which has been an intermittent feature of trade reports in the last three years. The excess of imports was in line with the general tendency toward a closer balance of merchandise shipments which has been evident since 1921.

# International Banking and Finance

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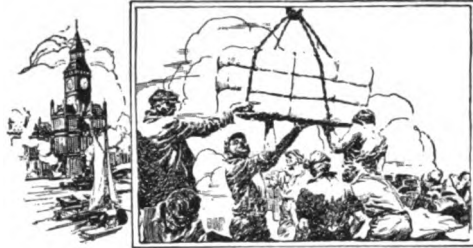
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# Review of Countries

By William Hayes

## Great Britain

THE restriction on foreign loan flotations in Great Britain during 1925 is plainly reflected in a recent compilation of new capital issues in that country during 1925, made by the Midland Bank Limited, London. Total loans floated in 1925 amounted to only £219,897,000 as compared with £223,546,000 in 1924. This decrease in the total occurs in spite of an increase of approximately £30,000,000 in the amount of issues by industries and countries included in the United Kingdom. In other words, capital issues floated in London by British possessions and foreign countries were almost £40,000,000 less in 1925 than in 1924.

Domestic flotations, both in Great Britain and in the United States showed an increase over 1924. The natural conclusion, therefore, is that, had there been no restrictions on foreign loans in Britain, these also would have shown an increase. Since they were less in 1925 than in 1924, it is reasonable to suppose that the loans which could not be floated in London were diverted to New York. That is, the figures for foreign capital flotations in the United States should show an increase roughly corresponding to the total decrease in such flotations in Great Britain; i. e., £40,000,000, or approximately \$200,000,000. An examination of the figures does not confirm this. Total foreign borrowings in the United States, as compiled by the *Commercial and Financial Chronicle*, (excluding Canadian loans) in 1925 amounted to \$1,049,091,000, an increase of a little over \$65,000,000 over the 1924 total of \$983,415,000. The fact that is revealed is that foreign countries seem to be growing more able to finance their own requirements for capital, and this, as well as the restrictions on foreign loans, may account for the decline in Great Britain's total.

The purposes for which new capital was sought in the two countries show a remarkable similarity. In Britain about 61 per cent. of the new capital went to industrial concerns, compared with 66 per cent. in the United States. Railroads took 12 per cent. of the total in Great Britain, but

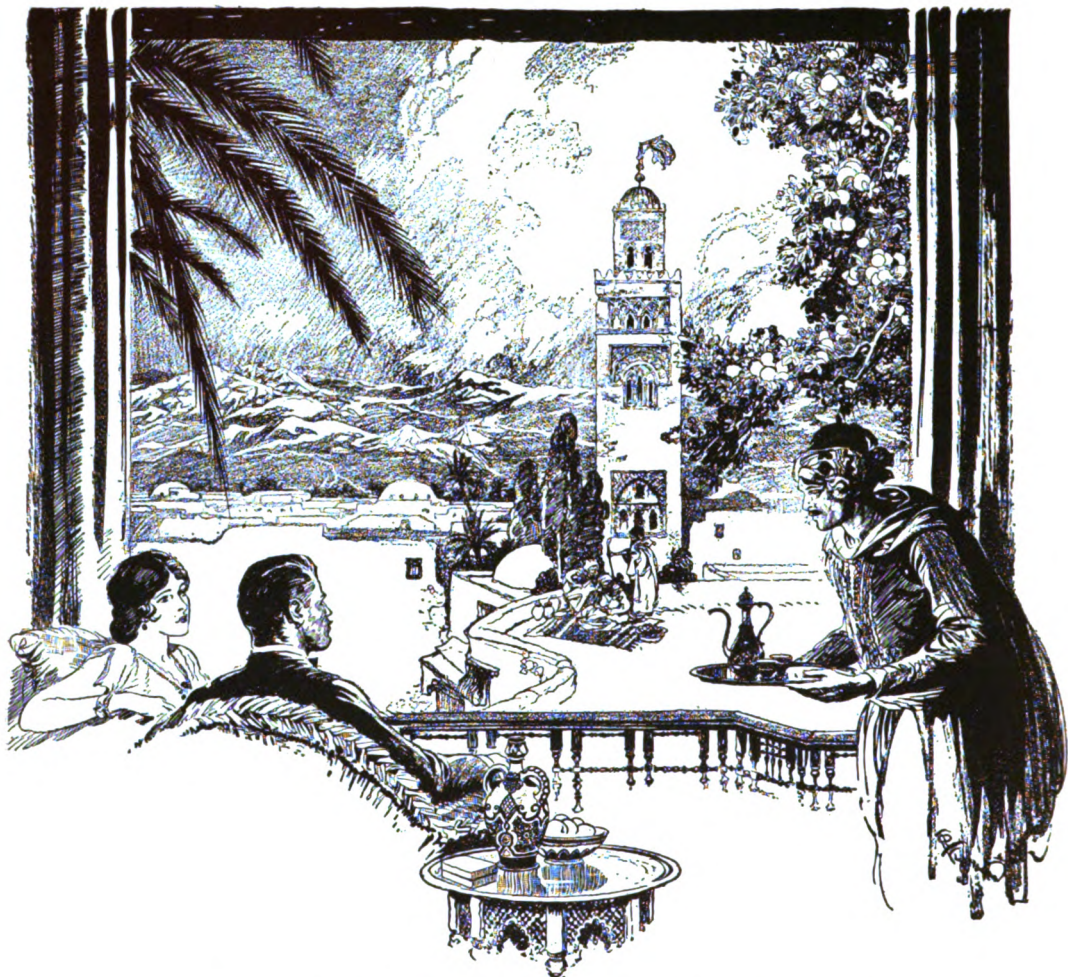
only 7 per cent. in the United States. This is the reverse of what might be expected, for the American railroads are probably much more in need of capital than the British. It can only be explained by the impaired borrowing power of the railroads in the United States. Municipal issues in Great Britain amounted to 12 per cent. of the total, while in the United States they took over 21 per cent. Government flotations in Great Britain took 14 per cent., and in the United States, only 9 per cent. Public works seem to account for about an equal proportion of the borrowing in both countries; the difference being that in the United States the borrowing for these works is done by the municipalities instead of by the Federal government.

The embargo on foreign loans in Great Britain has recently been removed, and the result is, according to newspaper dispatches, a large number of foreign loan flotations there. It is feared that these will draw further gold exports. Any tendency in this direction will undoubtedly be met by a raise in the bank rate, for England, in her present condition, cannot afford to let much more gold go and still maintain the gold standard.

### *Effect of Rubber Restriction*

An interesting example of how impossible it is to get away from economic law is brought to light in the restriction of rubber, adopted in 1923 by British producers, with the idea of getting a higher price for the product. The natural effect of restricting the supply of any product and getting a high price for it is to call the attention of other business men to the large profits possible in the business restricting the supply. More men are encouraged to enter such a profitable business, the amount produced gradually increases, and competition forces prices down once more to their natural level.

This tendency is apparent in the rubber industry, as is shown by figures recently compiled by the London *Economist*, and re-published in the New York Trust Company's recent issue of *The Index*. Production of rubber in the British Empire has been decreased from 275,000 tons in 1920



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to 210,000 tons in 1924. Meantime, however, the rubber produced in other countries has increased from 93,000 tons to 202,000. Up to the present time, however, production has not kept pace with consumption, in spite of the net increase. Sufficient time being allowed, this will ensue, and prices will return to their normal level.

*Coal Situation Still Troublesome*


While the United States has been having coal troubles of its own with the strike of anthracite coal miners, the coal commission in Great Britain has been trying to adjust the coal industry in that country so that it can get along without a Government subsidy. It is a difficult task, particularly so because the ideas of operators and miners are so far apart, and neither seems in the least disposed to budge an inch. The problem is to reduce costs so that coal can be sold at a profit, without outside help. At present miners are getting more in wages than the value of the coal they extract. This cannot continue indefinitely. Some margin must be left for overhead costs and profit.

The owners contend that such a margin can be created only by wage reductions. They propose these wage reductions, not as a reduction in wages, but as a longer working day with the same pay as for the shorter day now in force. More, however, is necessary than merely reducing the miners' wages. Wages of railway men must also be reduced to the same level above their pre-war wages as the mine workers' wages. This will make possible a 25 per cent. cut in transportation rates. This done, the mine owners guarantee to cut other costs at least 10 per cent. Further wage cuts may be necessary to relieve the pressure in some districts, hence it is suggested that the present method of negotiating wages by national agreement be discontinued, and wages be negotiated by district settlements.

The miners contend that the margin could be created by economies in production, resulting from a better organization of the industry. They suggest that a Power and Transport Commission be organized to purchase the collieries at their actual market values, and unify the exploitation, distribution and export of coal. It will control the mining of the coal, its consumption, conversion into power, etc., and should be able to save enough through large scale operation to create the necessary margin for overhead costs.

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Great economies would be possible by such unification and large scale operation; that is unquestioned. Past experience indicates, however, that these economies would be offset by the inefficiency which almost always accompanies Government operation. If so, the cost of mining coal would not be reduced and the industry would be just where it started from, except that it would be Government owned instead of privately owned.

*The Bank Reports*

The year 1925 was a good one for banking in Great Britain, as is shown by a comparison of the profits of the "Big Five" for 1924 with those for 1925:

|                           | Net Profits in £ |           |
|---------------------------|------------------|-----------|
|                           | 1925             | 1924      |
| Midland .....             | 2,522,469        | 2,424,993 |
| National Provincial ..... | 2,161,580        | 1,974,042 |
| Barclays .....            | 2,810,373        | 2,585,967 |
| Lloyds .....              | 2,569,366        | 2,468,934 |
| Westminster .....         | 2,205,393        | 2,013,502 |

At the annual meetings, the chairmen of the various banks, as is their custom, reviewed the conditions in Great Britain during the preceding year, and then pro-

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ceeded to discuss what seemed to each of them to be the important economic problem of the day.

Mr. McKenna, chairman of the Midland Bank Limited, London, who has pretty constantly questioned the advisability of deflation, took occasion to point out again its depressing effects on trade. However, he closed his remarks on the matter with this philosophic comment: "It is idle now to discuss whether the object in view was worth the price we have had to pay for it. Let us be content that the goal has been reached; and let us rest in the hope, for which there is good foundation, that we may reap the reward in the future." The reward he speaks of, as may be gathered from his address, is increased prices and stimulated trade, which he expects to result from an influx of gold.

Sir Felix Schuster, chairman of the National Provincial Bank Limited, London, and Walter Leaf, chairman of the Westminster Bank Limited, London, both took occasion to recommend that the issue of currency by the government be discontinued. Sir Felix protested against it as a power "no government should possess," while Mr. Leaf discussed the history of the issue, and made constructive suggestions.

From 1844 to 1914, the issue of currency was practically exclusively in the hands of the Bank of England. The bank had the right to issue £20,000,000 of fiduciary notes. Any further issue must be covered by deposit of gold coin and bullion. It is apparent from this that the currency was practically as inelastic as the national bank notes of the United States before the passage of the Federal Reserve Act.

The situation was somewhat changed at the beginning of the war, when the Bank Act of 1844 was suspended, and the British Treasury was given the power to issue currency notes for £1 and 10s. as legal tender. These were issued through the Bank of England to any bank, as required, up to 20 per cent. of its deposit liabilities. The amount of notes issued to any bank is considered as an advance to it from the Bank of England, and bears interest at the current bank rate. Thus, said Mr. Leaf, "the monopoly of the issue of notes was abolished, and the power of inflation or deflation was placed, without any limit whatever, in the hands of the Treasury—in other words, in the hands of the Chancellor of the Exchequer for the time being."

Contrasting this condition with the way notes are issued by the other important

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*New York*

central banks, he concluded that Britain's method of issuing currency needs to be brought up to date. To do this, he suggests, first of all, that the monopoly of note issue should be again vested in the Bank of England. The fiduciary notes of the government which are still outstanding should be added to the "government debt," with the securities covering it handed over to the bank as part cover. The "government debt" should, of course, pay interest, to reimburse the bank for the expense in carrying the notes. The bank should be empowered to issue notes against approved securities (including government bonds and trade bills bearing three names—the drawer, acceptor and the bank discounting them) as well as against gold. To insure repayment of the notes, the bank should be required to carry a gold reserve of 30 or 40 per cent. of the notes in circulation. A penalty tax should be placed on a depleted reserve, increasing as the reserve declines—similar to that of the Federal Reserve System. Thus, he said, the system would combine elasticity and severity. It would seem that such a reform would be of great help to the English banking system.

## Germany

IN spite of the fact that money has been flowing through the United States to Germany through a great variety of channels since the adoption of the Dawes Plan, credit stringency is still reported in that country. The flow began with the floating of the German External 7 per cent. loan, and has continued in the form of bond issues to

various German industrial companies, and municipalities, commercial credits to high grade German borrowers, and, recently, sales of stock in German concerns. The fact that the credit stringency continues after such a volume of investment is evidence of the wholesale destruction of capital in Germany by the war.

Call money fluctuated in 1925 from 11½ per cent. to 10 per cent. Time money ranged from 10 per cent. to 13 per cent. In January 1926, conditions changed materially, due to the reduction of the rediscount rate of the Reichsbank from 9 per cent. to 8 per cent., on January 12. The 9 per cent. rate had been maintained since February 26, 1925. During January, 1926 call money was obtainable at from 6 to 8 per cent., time money averaged 8.48 per cent., and the private discount rate stood at about 6¾ per cent.

The rediscount rate was reduced in an attempt to ease a situation which has necessitated rationing of credit for some time. The market rate for money has been and continues to be above the discount rate. It is obvious, therefore, that rationing of credit will have to continue, to prevent such a demand for credit as to deplete the reserves of the Reichsbank.

This action is in defiance of what have been recognized for years as sound banking principles. Ever since Walter Bagehot wrote "Lombard Street," it has been an axiom in the management of central banks that it is more important that money should be available to borrowers "at a price" (no matter how high) than that only a limited amount should be available at a reasonable



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| Aghios Nicolaos | Castro       | Ithaca      | Rethymo     | <u>EGYPT</u>   |
| (Castri, Ky-    | Cavalla      | Jannina     | Salonica    | Alexandria     |
| nourias)        | Chalcis      | Kinto       | Samos Vathy | Cairo          |
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| Amaliss         | Comotini     | Lamia       | Sorovitich  | <u>CYPRUS</u>  |
| Amphissa        | Corfu        | Larissa     | Sparta      | Limassol       |
| Argos           | Corinth      | Levadia     | Syra        | Nicosia        |
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| Calmvryta       | Didimotichon | Mitylene    | Tripolitza  | Coritsa        |
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or at a low price. The effect of making a discount rate lower than the market rate is to encourage borrowing, which needs no encouragement in Germany. Such encouragement is justified only when the bank making such a rate has a substantial reserve to meet excessive borrowing. In any other case, the reduction merely conceals the real situation and creates an impression of easy money when no such condition exists.

There is in Germany a very real shortage of both credit and capital. The shortage of credit is due to the disastrous inflation of 1924, which destroyed confidence—the very basis of credit. The shortage of capital is due to the great loss of capital through destruction, and the diversion of productive efforts caused by the war. To replace these losses will take years of patient saving. The interval may be bridged by obtaining loans and credits from other countries, as Germany and German industries show themselves worthy of credit. But nothing will be gained by refusing to face the facts, and attempting to make easy money by legislation.

The directors of the Reichsbank, being

men versed in finance, undoubtedly know this. The only conclusion, therefore, is that the lowering of the discount rate is another instance when economic considerations must give way to political conditions.

### *Trade Balance Improves*

For the greater part of 1925 Germany had an import balance of trade. During the latter part of the year, this balance has been steadily, though slowly, decreasing. In December the bottom was reached and exports for that month showed a total 36,000,000 marks in excess of imports, the first export balance since 1924. The import balance during the preceding months was so great as to make the figures for the year show an import balance of 3,686,000,000 marks, total imports amounting to 12,482,000,000 marks, and exports, to 8,796,000,000 marks.

The export balance of 36,000,000 marks in December, while it is not large, is particularly encouraging in view of the fact that before the war German trade showed monthly imports averaging 80,000,000 marks in excess of exports.



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## *Revaluation Explained*

From questions received in this office there seems to be a general lack of understanding of the German revaluation law. The erroneous impression seems to have got abroad that the payment of German bonds at a fraction of their value is due to financial weakness of the debtors, and that, therefore, the revaluation does not apply to bonds whose obligors are financially sound. For this reason, it is deemed worth while to go over the cause for revaluation, and the revaluation plan again.

Most of the German bonds do not carry the provision so familiar to our investors "Payable in gold of present weight and fineness." Instead, they are payable in marks. Hence, when the mark depreciated in 1924 until it had practically no value, all such obligations, payable in marks, lost their value at the same time. So far as is known, this applies to all German bonds.

It would be obviously unjust to allow debtors to escape their obligations because of currency depreciation, although they also suffer because of it. To ameliorate this injustice in some measure, a revaluation law was passed, providing that bonds should

be paid at a certain percentage of their gold mark value. In the case of bonds of industrial concerns, this is 15 per cent., but in the case of government loans, the percentage is considerably lower—about 2½ per cent. The "gold mark value" for revaluation purposes is identical with the face value of bonds issued before January 1, 1918. The "gold mark value" of bonds issued after that date is computed according to the gold value of the paper mark at the time the bonds were issued.

Under the plan, certain advantages accrue to "old holders" (people who purchased bonds prior to July 1, 1920, and have held them since that time). The plan is very complicated, and space is not available to explain it in detail. Full information, however, may be obtained from the National City Bank, New York, which is acting as agent for the revaluation.

## *Dawes Plan Criticized*

There is still considerable opposition in Germany to the Dawes Plan. The *Tägliche Rundschau*, which is said to be very close to the present administration, said in a leading article recently that the plan is

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proving in the long run unworkable. "Our Government," it said, "must try to have the Dawes Plan altered, and it must be supported by the united front of all the parties." Another attack, which appeared serially in the Berlin *Lokal Anzeigler*, charges that the plan is responsible for the present unemployment, the bankruptcies, the high prices, and even the child mortality in Germany. This series was published in pamphlet form and circulated among hundreds of German workmen.

The bulk of this opposition to the Dawes Plan seems to be based on misinformation. There is a striking example of this in the pamphlet mentioned above. The addresses recently made by Gates W. McGarrah and Fred I. Kent, upon their return from visits to Germany are so distorted as to make them appear to be gloating over the economic plight of Germany. Mr. McGarrah is represented as saying that the German women "should be harnessed like horses to the economic wagon." What these gentlemen actually did was quote the facts given in the report of the Agent General for

Reparations, and express satisfaction over the operation of the plan during its first year.

The readiness of some people in Germany to distort facts for their own purposes, and the apparent readiness of the people to believe the worst about foreigners is indicative of a political condition in that country that does not augur well for the future.

### *Tax Reduction Proposed*

Nor is the present action by the German Government much more encouraging. The most recent budget plan submitted to the Reichstag by Dr. Peter Reinhold, Finance Minister, contains a deficit of 550,000,000 marks, due to a proposed tax reduction of an equal amount. Better collections of taxes, according to Dr. Reinhold, should produce an increase of revenue amounting to approximately 180,000,000 marks. It is proposed to cover the balance of 370,000,000 by an internal loan and by the use of reserve funds.

This is the budget that is expected to include a charge for reparations of 250,000,000 marks. According to the Dawes Plan, the sale of 2,000,000,000 marks nominal value of preferred stock of the German railways should bring in to the Government one-fourth of that amount, or 500,000,000 marks. The balance is to provide for past and future capital expenditures of the railways. But there is no proposal, so far as is known, by the Finance Minister, to sell these shares. Instead, it seems to be preferred to start again burdening the country with debt.

He argues that "the most important thing

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is the liberation of German business from the present burden of taxation." It is an open question as to whether that is more important than the restoration of confidence in Germany which will come through balanced budgets and regular payments of reparations as they are due. It is difficult to see how reparation payments are to continue for any length of time unless the Government collects from the people, through taxation, enough money to have a surplus over and above the costs of government. The burden of taxation may be heavy—it undoubtedly will be heavy so long as there are reparation payments to be made—but the only way to get them paid is to shoulder the burden.

It may be that the taxes are burdensome because of inequitable distribution. If so, the proper remedy is a redistribution of taxes, not a general reduction resulting in a budget deficit. The recurrence of budget deficits will end in another period of inflation. It is to be hoped that the Agent General for Reparations can do something to bring this to the attention of the German Government.

### France

DEBATE was resumed on M. Doumer's tax bill in the Chamber of Deputies on January 26. The bill was intended to meet the budget deficit of 4,500,000,000 francs, by providing for economies in expenditure to the extent of 500,000,000 francs, and additional taxation to supply the remaining 4,000,000,000 francs. It is very difficult to gather from the newspaper accounts of the debates in the Chamber a clear idea of what taxation measures M. Doumer proposed, and what were grafted onto the bill by the Finance Commission and the various factions in the Chamber.

It is known that the bill once included an article making it compulsory for everyone in France to declare, on oath, his income from all sources, whether the income is large enough to be taxed or not; an article requiring the registration of all bonds, and prohibiting the issue of bearer bonds; and an article imposing an inheritance tax of approximately 33-1/3 per cent. All these, as may be seen, are measures for making direct taxation more effective, and were, therefore, favored by the Socialists. As

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they came to a vote they were rejected, one by one.

Angered by the defeat of their measures, the Socialists proceeded to reject as many of the Government measures as they could. M. Doumer had suggested a tax on payments; that is, a small stamp tax on all business transactions. This was rejected, Leon Blum, leader of the Socialists indicating that the reason for rejection lay in the opposition of the Socialists to increasing indirect taxation, which provides already 75 per cent. of the tax revenues of France. Then M. Doumer proposed a tax on production. This, too, seems to have been rejected. An increase of 30 per cent. in import taxes was suggested; as was also an export tax; and a proposal for increasing the price of tobacco. One by one these were defeated by the Socialists.

Consequently, it was a very weak looking bill which passed the Chamber of Deputies at about 6.00 a. m., February 16. It contained only a hodgepodge of what was left from the proposals of all parties, after cutting out the important ones. It provided

only 1,600,000,000 of the 4,000,000,000 francs needed, leaving a budget deficit of about 2,500,000,000 francs. The bill now goes to the Senate, where it will probably be revised so as to provide again the 4,000,000,000 needed, and sent back to the Chamber. Then the battle will have to be fought over again.

### *Better Collections Necessary*

In the midst of the debate, the five syndicates of tax-collecting agents in France issued a public manifesto, giving their opinion as to what is wrong. "France is suffering," they say, "from undigested taxation." What is needed, according to the agents, is not so much new taxes as an opportunity to collect the old ones efficiently.

Considering the facts, there seems to be some justice in this claim. The budget for 1925 was not voted until the middle of July 1925. The tax collectors then had to frame their tax schedules and collect the revenue before December 31 of that year. In December 1925, Parliament voted retroactive taxation amounting to 3,500,000,000 francs in addition to what had been collected. Since then, that decision has been twice modified, and there is still doubt of its constitutionality. The muddle in which all this involves the tax collectors is apparent. They are to be commended for collecting last year 2,500,000,000 francs more taxes than in 1924. At the rate the tax bill is progressing they may have to work under just as difficult conditions in 1926 as they did in 1925.

Improved collections would help materially in France, but some new taxes are also necessary. No one wants to pay them, and the legislation is delayed while each group tries to shift the tax. The Socialists oppose any increase in the indirect taxes, because it would increase the cost of living. No one ever wants to increase the cost of living, yet taxes are a part of the cost of living, and taxes must be increased to balance the French budget. Whether the taxes eventually passed be direct or indirect, they must increase the cost of living. Each Finance Minister tries to lay the new taxes on a different group of people, and so far, each has been ejected from office with remarkable celerity. A Paris correspondent of the *New York Times* summarizes it thus:

M. Caillaux was driven out of office by an extra-parliamentary caucus because he wanted everybody to pay. Painleve and Bonnet were beaten by the Chamber because they wanted the property holders to pay

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for everything. Loucheur was driven out by the Finance Commission because he tried to split the burden between the masses and the rich and loaded everybody too heavily. Doumer's plan to make everybody share in paying, through a tax on all payments, has been defeated in the commission and would probably have been defeated in the Chamber.

The procession of Finance Ministers which has been witnessed in the last year impelled a paragrapher to remark that "being a Finance Minister in France is like trying to keep house in a revolving door."

#### *Mr. Keynes' Plan*

J. M. Keynes, proponent of inflation, has offered a few suggestions in an open letter addressed to "the French Minister of Finance (whoever he is or may be)." "The right strategy," says Mr. Keynes, "is to restore confidence and then just rest. And the way to restore confidence is surely not to heap up taxes, but to stabilize the franc exchange beyond doubt or criticism near its present level." There is probably no advice the Finance Minister would rather follow than that given—ceasing to heap up taxes, and instead restoring confidence and just resting.

But, in order to stabilize franc exchange, says Mr. Keynes, it is necessary to further inflate the currency until internal prices in France rise to a point where the franc will buy no more in France than it will abroad. This is not so attractive, for it will raise the cost of living—a thing all parties in France are striving to avoid.

Even if this procedure should be adopted, it may be doubted if real exchange stability could be maintained without budget equilibrium. And new taxes seem absolutely necessary to a balanced budget in France.

#### *Industrial Conditions*

It is a curious economic paradox that inflation, which leads to the eventual ruin of a country, temporarily makes for good business. Inflation causes prices to be continually rising, enabling all business men to make profits (though in a depreciating currency) by the simple expedient of holding whatever they purchase for a short time before reselling it. If it is an article which must be manufactured and the manufacturing process takes considerable time, so much the better. The longer the period of manufacture, the more prices will rise in the interval, and the greater the profit.

This is perhaps the reason why, in spite of financial disorganization in the Government, industrial conditions in France have been good during 1925 and continue fairly good. The attaché of the Department of Commerce in Paris reports that there is no lack of employment for French labor, in spite of a net immigration of approximately 200,000. Wheat and barley production exceeds that of pre-war years, and sugar manufactured almost equals that of pre-war years.

Production of iron ore, which averaged 1,826,000 metric tons per month in 1913, averaged 2,416,000 tons per month in 1924, and in September 1925, amounted to 3,090,000 tons. Coal production shows a similar improvement, due in part to the acquisition of Alsace-Lorraine. It touched a high level of 4,278,000 tons in October 1925, as compared with the average monthly production in 1913 of 3,710,000 tons.

In short, industry and trade made good progress during 1925, in France, but the disturbed condition of public finance makes it more and more difficult to continue this progress.



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## Italy

ENOUGH of the details of the Italian debt settlement with England are now available to make comparison of them with the American terms. It will be remembered that they were hailed as much more lenient than the terms which the United States gave to Italy. The actual relation is clearly brought out in the following comparison:

|   | (000 omitted)    | United States | Great Britain    |
|---|------------------|---------------|------------------|
| Principal .....                                 |                  | \$2,042,000   | \$3,054,200      |
| Total repayments (principal and interest) ..... | 2,407,000        |               | 1,272,750        |
| Annual payments:                                |                  |               |                  |
| First 5 years.....                              | 5,000            |               | 10,000 to 22,250 |
| 6th to 15th year....                            | 14,000 to 18,000 |               | 22,250 to 22,500 |
| 16th to 25th year....                           | 20,000 to 26,000 |               | 22,500           |
| 26th to 35th year....                           | 31,000 to 38,000 |               | 22,500           |
| 36th to 45th year....                           | 43,000 to 52,000 |               | 22,500           |
| 46th to 55th year....                           | 56,000 to 67,000 |               | 22,500           |
| 56th to 62d year....                            | 73,000 to 80,000 |               | 22,500           |
| Last payment .....                              |                  |               | 11,250           |

Great Britain, for a debt larger than that of the United States is receiving an aggregate payment a little over half of what the United States will receive. However, as

compensation for this, Britain gets prompt payment. Maximum payments begin within the first five years, and it is not until after the sixteenth year that the payments to the United States reach those to Great Britain. The United States profits by the principle (familiar in corporate reorganizations) that those who must have money quickly must compromise their claims, whereas creditors who can afford to defer their claims some time, may receive much larger payments.

It is fortunate that the debts have been arranged thus, for Great Britain needs cash at present, to maintain the gold standard, and to help in making payments on her own debt to the United States. Large payments to the United States in the near future would probably prove embarrassing by causing a sudden influx of foreign goods, and by adding more gold to the already abundant supply which constantly tempts inflation.

### *The Effects*

The settlement of these debts, and the consequent elimination of the element of un-

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certainty in public finance in Italy has had a beneficent effect on trade and finance. The commercial attachè of the Department of Commerce in Rome, reports that Government revenues in Italy continue to show a surplus over expenditures; that business is notably active, with the exception of the iron and steel industries; and that even those industries are maintaining normal production.

## Finland

ON December 12, 1925, Finland passed a law re-establishing the gold standard. Under this law, the details of which have recently come to hand, the Finnish mark will have a gold value equal to the present value of the paper mark; namely \$.025. Gold coins of the value of 100 and 200 marks are to be minted, the former containing 3-15/19 grammes of fine gold, and the latter 7-11/19 grammes.

The gold coins, however, are not intended to circulate to any great extent. The circulating medium will continue to be, as heretofore, notes of the Bank of Finland, the bank of issue. The bank has been reorganized with a capital of 500,000,000

Finnish marks, and it may issue notes up to the value of its stock of gold and balances with foreign correspondents. An additional issue of notes, covered by bills payable abroad in foreign currency, bonds quoted on foreign exchanges, and domestic bills with maturities not exceeding three months, for which at least two solvent persons are responsible, is permitted. This fiduciary issue is limited to 1,200,000,000 Finnish marks. Any issue of notes over this amount must be authorized by the Diet.

The bank is obliged to redeem its notes on demand in gold coin (Finnish), in gold ingots, or in checks made out in foreign gold currency payable at sight at the current rate of exchange, which may not exceed parity by more than 1 per cent.

## The Budget

The Finnish ordinary budget, which was passed on the same day as the law re-establishing the gold standard, shows an estimated surplus of 493,400,000 Finnish marks. This surplus will be used up by the extraordinary budget, and an additional grant of 75,100,000 marks from the cash balance will be necessary.

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Judging from past experience, it is unlikely that this draft on the cash balance will be made. Revenues in Finland are very conservatively estimated, and have regularly exceeded the calculations in recent years. In 1924 the budget provided for a similar deficit of 159,500,000 marks for 1925, but actual returns showed a surplus of 67,500,000 marks.

## Norway

**T**HE industrial stagnation that has prevailed in Norway for several months still continues. Prices have been declining steadily in that country, the index number falling from 279 in December 1924 to 220 in December 1925. With such a condition, business stagnation is not surprising, for it is very difficult to make profits on a steadily declining market.

The declining prices have been accompanied by a similar decline in the note circulation from 391,800,000 kroner in December 1924 to 362,800,000 kroner in December 1925. The exchange value of the krone has risen from 7.11 kroner to the dollar in January 1924 to 4.93 to the dollar in December 1925. In other words, deflation is in process in Norway. That is the cause of the poor business.

The deflation has gone so far that the Exchange Commission, in its report has recommended a trial stabilization of the krone at its present level. It is reported that the Government of Norway is seeking a loan of \$30,000,000 in New York for this purpose. Had the effects of the deflation been less acute, it is reasonable to suppose that the exchange would have been supported until it reached its par of 3.73 kroner to the dollar.

## Denmark

**P**RACTICALLY the same condition seems to be afflicting Denmark. Unemployment is mounting, accentuating the depression. As in Norway, the condition is probably due to the policy of restoring the krone to parity and returning to the gold standard. This naturally involves a revaluation of the krone; or, expressed the other way, a decline of prices. Declining prices always cause bad business.

The National Bank of Denmark was charged a year ago by the Danish Government with the problem of stabilizing the krone. At that time a loan was secured from certain American banks to aid in stabilization.

A one year revolving credit of \$40,000,000 has been secured by the National Bank of Denmark from the Bankers Trust Company, New York, in association with the Chase National Bank, New York. The purpose of this credit, as of that of last year, is to effect stabilization of the krone. It is understood that better terms were secured this year by the National Bank of Denmark, thereby reflecting the improved Danish economic and exchange situation. The National Bank of Denmark has undertaken to hold the krone above \$23785 until the end of 1926 with the expectation of raising that minimum at the end of the year, in accordance with the object of gradually returning to parity and the gold standard.

## The Netherlands

**T**HE Netherlands, having raised its exchange to par by about December 1924, and returned to the gold standard officially about May 1, 1925, along with Great Britain, is now enjoying fair prosperity, in spite of a

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prolonged cabinet crisis, preventing the passage of important economic legislation. Exchange fluctuations having been eliminated for the most part, merchants can make future contracts with some confidence. This resulted, during 1925, in a steady improvement in Dutch commerce, which still continues.

## Austria

AT the League of Nations meeting toward the end of 1925 a further step was taken looking toward the ending of League control of Austria's national finances. This step, taken on the advice of the League's Financial Committee, was in the form of a passed resolution authorizing the Austrian Government to use a substantial portion of the unspent part of the Reconstruction Loan for the electrification of railroads and other productive purposes.

On January 14, the Austrian cabinet resigned, declaring that it had fulfilled the fiscal reform plan laid down by the League of Nations. The retiring Finance Minister,

Herr Ahrer, was dissatisfied because of failure to adopt his reconstruction program. At the same time many industrialists and members of his party attacked him because in his program he pointed out that an unusual proportion of the funds of the Austrian banks was invested abroad and recommended the return of these funds to Austria as sufficient to allow the financing of the country's recovery without foreign aid.

## Hungary

A GIGANTIC counterfeiting plot has been uncovered in Hungary. According to dispatches of Budapest and Vienna newspapers, the head of the band of counterfeiters was Prince Louis Windischgraetz, who started negotiations with leading banks in Vienna and Berlin, offering to them large loans in French francs. He planned to grant the loans in the form of counterfeit 1000 franc bills which he manufactured on his estate in northern Hungary. The dispatches say that the counterfeiting gang

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hoped to flood all Europe with such French bank notes.

The discovery has caused a great deal of agitation in Hungary, for it is charged that the counterfeiting went on with the knowledge and consent of the Government, and that therefore the motive for counterfeiting was political rather than economic or criminal. Certainly there is some ground for this belief in the stupidity of Prince Windischgraetz in trying to pass counterfeit bills on banks. A real criminal would certainly operate more skilfully than this.

### *American Investment in Hungary*

The Hungarian General Creditbank, Budapest, the leading banking institution of Hungary, with branches throughout the country, is increasing its capital by one-third, to take care of the expanding credit needs of Hungary. The bank was founded in 1867, and has paid dividends in every year since that following its organization. The new stock is being acquired by International Acceptance Bank, Inc., New York; Hallgarten & Co., New York; Lehman Bros.,

New York; and Goldman, Sachs & Co., New York, participating with British and continental banking groups. After the increase, the combined capital and surplus will amount to over \$11,100,000.

## Spain

**A**N important banking reform has been effected in Spain by a recent ministerial order. This order is considered as an indispensable measure for steadying public confidence in national banking.

By the terms of this order all banks, bankers, and other banking concerns, whether national or foreign, established in Spain must in the future submit to the Supreme Banking Council monthly returns showing the funds in their possession as well as all securities entrusted to them for safe custody.

The new law requires the monthly inventory of the securities owned by the bank, or held in trust to be vouched for under the personal responsibility of one of its high officials, appointed for the purpose, and the measure is devised with a view to questioning any irregularity as soon as it becomes apparent. Public opinion is favorably impressed by its general incidence, and it will undoubtedly contribute toward the restoration of confidence in national banking, now at a very low ebb.

## Chile

**L**AST October, Dr. E. W. Kemmerer of Princeton University (who has earned the sobriquet of "the currency doctor" because he is so often called in to reform the currency systems of various countries) headed a commission to revise the monetary and banking system of Chile. The commission included H. M. Jefferson of the Federal Reserve Bank of New York, who remained, after the completion of the plan, to supervise the inauguration of the new Central Bank of Chile, which is to be the bank of issue under the plan. The bank was organized on January 11 of this year, and in February, a shipment of \$10,000,000 of gold was received from it by the National Bank of Commerce in New York, which is to act as its agent in the United States. The gold is earmarked, and is to serve as a part of the reserve of the Central Bank of Chile.

The period of inconvertibility and exchange fluctuation terminated by this re-

FULLY 65% of the imports of Porto Rico enter through the Port of San Juan. Our head office is in San Juan, our branches are at such strategic points, for commercial banking and collections, as the seaports of Arecibo, Mayaguez and Ponce with an inland branch at Caguas. We have an intimate knowledge of the people while safeguarding the interests of our clients in the United States.

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## AMERICAN COLONIAL BANK OF PORTO RICO

turn to the gold standard on the part of Chile dates back into the last century. Par for the Chilean peso has been established at .183057 grams of fine gold, or 12 cents United States currency.

### *The Bank of Issue*

The new Central Bank of Chile, which will have a monopoly of note issue in that country, is capitalized at 150,000,000 pesos, of which 20,000,000 pesos will be furnished by the Government, and the remainder by the member banks and by public subscription. All commercial banks operating in Chile, foreign as well as domestic, must become members, subscribing an amount equal to 10 per cent. of their combined capital and surplus. Foreign banks with branches in Chile must subscribe a similar percentage

of their capital, the capital being computed as that ratio of the capital of the bank that the assets of the Chilean branch bear to the total assets of the bank.

The existing note issue of Chile is to be redeemed or replaced by notes of the new central bank, which assumes complete liability for the paper currency now in circulation. In return for assuming this liability, the Chilean Treasury has turned over to the bank the gold holdings now held in the office of issue and elsewhere as security for the existing issue of notes, deposits in the Banco Espanol, pledges of nitrate, and a proportion of the gold now held in the conversion fund. The notes are redeemable on demand, in gold coin or bars, or in foreign drafts payable in gold, at the bank's option. Conversely,

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# UNION BANK OF SWITZERLAND

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Montreux, Vevey, La Chaux-de-Fonds, etc., etc.

|                      |              |             |
|----------------------|--------------|-------------|
| CAPITAL (fully paid) | Swiss Francs | 70,000,000  |
| RESERVES - -         | Swiss Francs | 16,500,000  |
| DEPOSITS - -         | Swiss Francs | 493,663,244 |
| TOTAL ASSETS -       | Swiss Francs | 646,434,637 |

The Bank will be pleased to act as  
**Your Correspondents in Switzerland**

and to be appointed as *paying agents for  
Letters of Credit, Travellers' Checks, etc.*

Well equipped to handle your  
Swiss banking business

notes will be issued against all tenders of gold and foreign exchange. In case of failure to redeem its notes at par, the bank will be declared "bankrupt on account of suspension of payments" and liquidated forthwith. Fiduciary circulation of subsidiary coins will continue to be a function of the Treasury, but the volume of such circulation will be subject to the approval of the officials of the new bank.

#### *Eligible Paper*

Paper eligible for discount and rediscount at the bank for other banks and for the public is limited to liquid commercial paper having not more than ninety days to run, except agricultural paper, which may be rediscounted in certain quantities up to six months. Eligible paper must bear two first-class signatures, or one first-class signature and collateral in the form of bills of lading and warehouse receipts covering goods in process of production, manufacture, transportation or sale. Single name drafts by member banks on foreign banks, of not more than ninety days maturity may be purchased, and member banks are per-

mitted to rediscount indorsed bills and notes up to ninety days secured by high-grade mortgage and corporation bonds, provided the total amount of paper so secured does not exceed 25 per cent. of the member banks' capital and surplus.

The central bank may not invest more than 20 per cent. of its paid-up capital and surplus in Government securities. Such investment requires the approval of six of the ten directors of the bank. With the approval of eight directors, this limit may be raised to 30 per cent. for a period of six months only. The bank is absolutely prohibited from discounting paper the proceeds of which have been or shall be used in the purchase of corporation securities or for speculative purposes, or paper to finance the purchase of permanent investments such as land, mines, buildings, furniture, machinery, or automobiles. It may not deal in the stocks and bonds of private corporations, its own shares, paper secured by its own notes, or in real estate, other than such as may be necessary for its own use, or may be received in satisfaction of debts previously contracted.

# BANCO DE PONCE

## PONCE, PORTO RICO

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The volume of your business depends principally on local market conditions ruling the commodity and also in an indirect way on the situation in general.

When is the right time to increase your sales to Porto Rico? When to curtail them? Are collections moving rapidly or are they being met slowly?

Only a Bank close to the situation can give efficient service and give you such thorough information as will enable you to guide your policy in the right direction.

#### *Reserve Requirements*

The bank will act as fiscal agent for the Government, and as a clearing house, and will be empowered to receive deposits without interest from the Government, the public, and other banks. Deposits from other banks may be counted as legal reserves. Foreign and national commercial banks in Chile must maintain reserves of 20 per cent. against demand deposits, and 8 per cent. against time deposits. The reserves may be carried in cash or as deposits in the central bank. The Central Bank of Chile must maintain a reserve of 50 per cent. of combined deposit and note liabilities, which reserve must be in gold in vaults or earmarked abroad, or in deposits in recognized banks of high standing abroad. When the reserve ratio of the central bank falls below 50 per cent., a progressive deficiency tax becomes operative, and the discount rate must be raised to at least 7 per cent. plus a rate equal to at least one-half the rate of the deficiency tax.

Discount rates will be fixed by the directors, and may vary for different types and maturities of paper, but must be the same for comparable types of paper throughout the country. No member bank will be permitted to rediscount paper upon which it is charging its customers more than 2½ per cent. above the discount rate of the central bank for paper of the same type and maturity.

#### *Administrative Provisions*

The bank will be under the control of a board of ten directors, each serving for

three years, and eligible for reappointment. Three will be appointed by the Government, two will be elected by the national member banks, one by the foreign member banks, and one by the public stockholders of the bank. In electing directors, each share of

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(Helsingfors), Finland

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|                                |       |               |
|--------------------------------|-------|---------------|
| Capital Fmk.                   | - - - | 150,000,000   |
| Reserve Fund and Profits Fmk.  |       | 115,000,000   |
| Deposits etc. (31/12 '24) Fmk. | -     | 1,704,000,000 |

*All descriptions of banking business transacted*

**Telegraphic address: KANSALLISPANKKI**

stock shall be entitled to one vote. The other three members will represent the agricultural, manufacturing, mining and labor interests.

At least 20 per cent. of the profits must be added to surplus, until accumulated surplus equals one-half of the paid-up capital of the bank. Thereafter, 10 per cent. must be added to surplus, until surplus equals paid-up capital. Under certain conditions these percentages may be raised. Of the remainder, 5 per cent. goes to a special employes' benefit fund, and cumulative dividends are paid to the stockholders at a rate not exceeding 8 per cent. on the paid-up capital. Further dividends up to 12 per cent. may be paid to stockholders or set aside as a dividend reserve, but if so, an equal amount must be paid to the Government as a franchise tax. Profits remaining, if any, are distributed 75 per cent. to the Government as a franchise tax, and 25 per cent. to the stockholders.

It will be seen from this brief description of the organization of the new Central Bank of Chile, that it follows closely the organization of the Federal Reserve Banks,

with various modifications to meet local conditions; such as the higher reserve requirement, the accepting of public deposits, etc. It is to be hoped that it begins a period of monetary stability for Chile.

### Czechoslovakia

THE after effects of deflation, rather than deflation itself are being felt in Czechoslovakia. There has been a decline in industrial production, due not so much to domestic demand failing but to diminished exports to neighboring countries where conditions are reported to be bad. Coal and coke production, bank clearings, etc., show a marked decline. Textile mills, machinery factories, iron and steel works, and plate glass factories, are also reducing their activities.

The concomitant of depression, easy money, is visible in that country now. The rate of discount has been reduced from 6½ per cent. to 6 per cent. in the attempt to stimulate business. The ratio of reserves of the Government banking office to the circulation and deposits is 42 per cent.,

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# The Bank of the Philippine Islands

Capital fully paid-up . . . (Pesos) 6,750,000 - (\$3,375,000)  
Reserve funds . . . . . " 2,250,000 - (\$1,125,000)

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BRANCHES: ILOILO, CEBU, ZAMBOANGA



|                              |                           |
|------------------------------|---------------------------|
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| Joseph F. Marias . . . . .   | Vice-President            |
| Fulgencio Borromeo . . . . . | Vice-President            |
| R. Moreno . . . . .          | Secretary                 |
| D. Garcia . . . . .          | Cashier                   |
| E. Byron Ford . . . . .      | Chief, Foreign Department |
| S. Freixas . . . . .         | Chief Accountant          |
| P. J. Campos . . . . .       | Manager Iloilo Branch     |
| J. M. Browne . . . . .       | Manager Cebu Branch       |
| J. M. Garcia . . . . .       | Manager Zamboanga Branch  |

*Correspondents in all parts of the World*

**Special attention given Collections**

the highest point attained in 1925. The crops are doing well.

### Argentina

**D**ULL business is reported in Argentina, in the monthly cable summary of conditions received by the First National Bank, Boston, from its Buenos Aires branch. Failures in January 1926 were about twice those of January 1925, though lower than in December 1925. Bank clearings, deposits, and cash are all lower. Prices of wheat are lower, as are also hides. The cattle and wool markets are quiet and fairly steady. Exports are moving slowly, resulting in temporary weakness of the peso in the exchange market. The condition seems to be due to and accentuated by the mid-summer holidays.



### International Banking Notes

The report of the Midland Bank Limited, London, the largest bank in the world, for the year ending December 31, 1925, shows a net profit, after full provision for

all bad and doubtful debts, of £2,522,469. Adding to this amount £801,467, brought forward from last account made a total of £3,323,936. Out of this amount, an interim dividend at the rate of 18 per cent. per annum was paid for the half-year ended June 30, 1925, amounting, less income tax, to £848,862. A dividend at the same rate was paid for the half-year ended December 31, 1925, amounting, less income tax, to £911,907. The difference in the amount of the two dividends, though at the same rate, was due to the issue of 688,494 new £1 shares at a price of £2 per share, increasing the capital of the bank by £688,494, and the reserve fund by a similar amount.

Of the remainder of the profit, £600,000 was allotted to the bank premises redemption fund, £150,000 was placed in the officers' pension fund, and £813,166 was carried forward to next account.

Total resources of the Midland Bank Limited, at the date of this statement amounted to £411,485,766.



The ninety-eighth annual report of the Belfast Banking Company Limited, Belfast,

# Rotterdamsche Bankvereniging

Rotterdam

Amsterdam

The Hague

|                   |             |
|-------------------|-------------|
| Capital . . . . . | £50,000,000 |
| Reserve . . . . . | £20,000,000 |

Every description of banking business transacted, including the making of collections, the issuance of travellers' letters of credit and documentary letters of credit, buying and selling of foreign exchange and of stocks and shares.

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Representative for the United States

J. Enderman, 31 Nassau Street, New York

Ireland, which bank is affiliated with the Midland Bank Limited, London, shows a net profit for the year ended December 31, 1925, after full provision for rebate, expenses and all bad and doubtful debts of £104,534, added to which the balance brought forward from last account, £89,019, makes a total sum of £193,554, which amount has been distributed as follows:

|   |         |
|---|---------|
| To two half-yearly dividends, less income tax ..... | £52,387 |
| To reserve for future contingencies.....            | 50,000  |
| Carried forward to next account.....                | 91,166  |

⊙

The ninety-third annual report of the National Provincial Bank Limited, London, shows a net profit for the year 1925, after making provision for all bad and doubtful debts and rebate of discount on current bills, of £2,161,579, to which has been added the sum of £911,675, brought forward from last account, making a total of £3,073,254.

Two dividends were declared during the year; an interim dividend of 8 per cent., amounting to £758,353, paid in July 1925; and a further dividend of 10 per cent., payable January 30, 1926, amounting to £947,-

941. The balance of the account has been disposed of as follows:

|                                |          |
|--------------------------------|----------|
| To pension fund .....          | £150,000 |
| To bank premises account ..... | 100,000  |
| To contingencies account ..... | 200,000  |
| Carried forward to 1926 .....  | 916,959  |

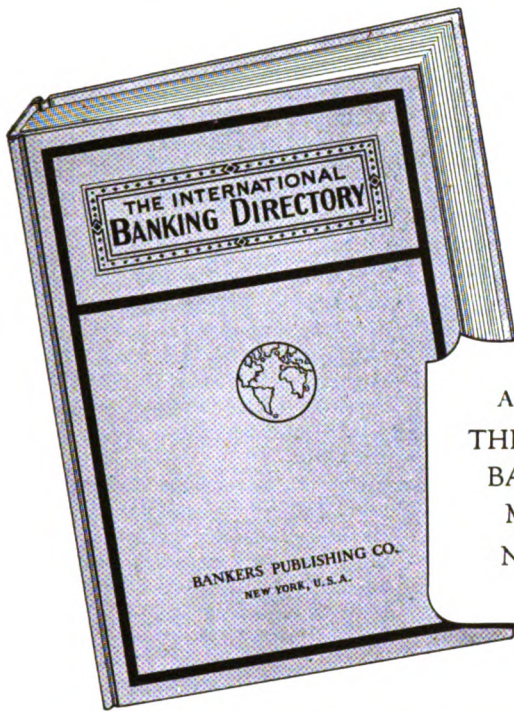
⊙

The balance sheet of Coutts & Co., London, (which is affiliated with the National Provincial Bank Limited) as of December 31, 1925, shows total resources of £18,684,547, total deposits of £17,083,565, paid-up capital of £800,000, and a reserve fund of £800,000.

⊙

The statement of the National Bank Limited, London, for the half-year ended December 31, 1925, shows a profit for distribution, including £30,971 brought forward from June 30, 1925, of £213,538. This amount has been disposed of as follows:

|   |         |
|---|---------|
| To half-yearly dividend at the rate of 14 per cent., less tax ..... | £90,125 |
| To income tax and contingencies account.....                        | 35,000  |
| To reserve fund .....   | 35,000  |
| To reduction of bank premises .....                                 | 25,000  |
| Carried forward to next account .....                               | 28,413  |



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New York

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The annual report of Williams Deacon's Bank Limited, London, shows a net profit for the year 1925, after making provision for bad and doubtful debts, etc., of £344,859, adding to which the balance from last year of £41,448, gives a total of £386,308 for distribution. Dividends of 13¼ per cent. per annum on the "A" shares and 12½ per cent. per annum "B" shares, amounting, less income tax, to £253,906 were declared during the year; £50,000 has been added to the reserve fund; and £40,000 to bank premises account; leaving a balance in the profit and loss account of £42,402.

The balance sheet of the Westminster Foreign Bank Limited, London (an auxiliary of the Westminster Bank Limited) as of September 30, 1925 shows total resources of £12,055,992, total deposits of £6,252,247, paid-up capital of £1,080,000, and a profit and loss balance of £36,792.

The report of the Lancashire and Yorkshire Bank Limited, Manchester, England, presented at the fifty-third annual general

meeting of the stockholders showed a net profit for the year ended December 31, 1925, after payment of all expenses and providing for all bad and doubtful debts, etc., of £245,359, making, with £105,668 brought forward from the previous year, a total of £351,028. This has been disposed of as follows:

|  |           |
|--|-----------|
| To dividends of 40s. per share, subject to deduction of income tax ..... | £ 101,312 |
| To bank property account .....   | 30,000    |
| To the staff widows' and orphans' fund....                               | 5,000     |
| Carried forward to next account .....                                    | 114,716   |

The report of the Manchester and County Bank Limited, Manchester, England, for the year ended December 31, 1925 shows a net profit, after making provision for bad and doubtful debts and payment of all expenses of £199,318, to which has been added the balance brought forward from last year, £91,971, making a total of £291,290. This amount has been disposed of as follows:

|  |           |
|--|-----------|
| To payment of dividends totalling 13s. per share, subject to deduction of income tax ..... | £ 177,456 |
| To reserve fund .....  | 20,000    |
| Carried forward to next account .....  | 93,833    |

## A New Edition of a Standard Work . . . . .

This book is a manual of the world's monetary systems; the foreign exchanges; the stamp duties on bills of exchange in foreign countries; the principal rules governing bills of exchange and promissory notes; foreign weights and measures; and bullion and exchange operations. The first edition of "Tate's Cambist" appeared in 1829 and the present edition is the twenty-seventh to be brought out under the imprint of Effingham Wilson. It has been entirely revised and re-written in order to cover the many changes in foreign exchange since the War.

### TATE'S Modern Cambist

*Edited by*  
**WILLIAM F. SPALDING**

**Price \$10.00**

The London "Times" calls this edition the most "important reference book on monetary questions issued since the War," and says that it "should prove indispensable to every banker, foreign exchange dealer, financial house and to all those requiring an authoritative record of the world's present monetary systems and foreign exchanges."

#### *Some Press Opinions*

"In the hands of Mr. W. F. Spalding the preparation of this standard work, with the thoroughness to be expected from this author, has naturally necessitated the re-writing of much of the book, which is now up to date in every respect."—"Morning Post," December 28, 1925.

"Will be welcomed by all those whose business requires exact information regarding the money units of civilized countries. In the new edition Mr. Spalding has had to include countries never dreamt of before the War."—"Daily Telegraph," December 19, 1925.

*For sale by*

**The Bankers Magazine**

71 Murray Street, New York

The eighty-third statement of assets and liabilities of Glyn, Mills and Company, London, as of December 31, 1925, shows total resources of £34,697,258, deposits of £31,026,455, advances to customers and other accounts of £9,230,065, paid-up capital of £1,060,000, and reserve fund of £530,000.

◎

The report of the Bank of Ireland, Dublin, Ireland, for the year ended December 31, 1925, showed a net profit, after meeting all charges and providing for bad and doubtful debts, etc., of £590,724, to which must be added £74,855 brought forward from December 1924, making a total of £665,579.

Out of this amount dividends of 14 per cent. free of income tax, have been declared, absorbing £387,692. Reserve account has been increased £207,230, and the balance of £70,656 has been carried forward to next account.

◎

The statement of condition of the Skandinaviska Kreditaktiebolaget, Stockholm, as of December 31, 1925 shows total resources of 998,297,506 kronor, deposits of 563,720,209 kronor, secured loans of 511,162,218 kronor, bills discounted of 159,317,388 kronor, and cash on hand amounting to 26,121,557 kronor. The capital of the bank is 87,188,000 kronor and the reserve fund amounts to 94,812,000 kronor.

◎

The statement of condition of the Imperial Bank of India, Bombay, Calcutta, Madras, India, as of January 1, 1926 showed total resources of 95,71,55,000 rupees, deposits (exclusive of public deposits) of 77,61,86,000 rupees, loans of 15,93,96,000 rupees, cash credits of 35,74,67,000 rupees, and cash on hand of 17,55,70,000 rupees. The paid-up capital of the bank is 5,62,50,000 rupees, and the reserve stands at 4,77,50,000 rupees.

◎

The National Bank of South Africa, Limited, having been amalgamated with Barclays Bank (Dominion, Colonial and Overseas) the business of the New York agency of the National Bank of South Africa, Limited, will be conducted at 44 Beaver street, New York, as heretofore, under the name of Barclays Bank (Dominion, Colonial and Overseas) effective March 1, 1926.

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*Vice-Chairman of Board*

GEORGE F. RAND  
*President*

EDWARD H. LETCHWORTH  
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# Some Bank Credit Problems

THE BANKERS MAGAZINE has secured the services of a capable credit man to answer the inquiries of readers on current problems of the credit manager. Questions of general interest to credit men and bankers will be answered and only the initials of the persons asking the question will be used. In case the question is not one of particular interest to bank credit men as a whole or is one which has been answered before, a reply will be made by mail.

In order that all questions may be answered intelligently, it is requested that they be direct and to the point, but that sufficient necessary detail be included to enable the editor to draw the proper conclusion. Inquiries should be addressed to the Editor, Bank Credit Problems, THE BANKERS MAGAZINE, 71-78 Murray Street, New York.—EDITOR.

## Other Current Assets

CONTINUING the subject of statement analysis, the Creditor Editor takes up this month the remainder of the items on the asset side of the balance sheet. This is the twelfth article in the series on credit and credit department methods which was begun last April. Previous articles have taken up the various types of business organization and the statements they issue; the trial balance, the balance sheet, and the profit and loss statement, and analysis of some of the asset items of a balance sheet.

IT might not be amiss here to mention the technical distinction sometimes drawn between current assets and quick assets. Current assets are those assets which are current in the ordinary course of business. In the average business these are cash, receivables and merchandise, or some form of these items. One may raise the question as to what is meant by other forms of these items. This will be discussed immediately after settling the question of distinction between current assets and quick assets. Quick assets are those assets which are not only current in the usual course of business, but also can be turned immediately into cash at a certain value. The most ordinary would perhaps be cash surrender value of life insurance. Of course, even plant, automobiles, etc., have a certain quick value if one wants to analyze a quick position. However, if a company were to sell these it would have to go out of business or reduce operations. Therefore, such a quick analysis would only be made for a liquidating concern. When it was mentioned that plant might have a certain quick value, it was meant that though the plant might be worth \$50,000,

it would have a quick value of perhaps \$25,000. In other words, at a sacrifice price it could be readily sold.

To turn back to cash, receivables and merchandise; in the usual course of business, merchandise is sold, receivables are entered on the books, and later cash is received in settlement and the receivables are stricken from the books. If business were slack, and some funds ordinarily employed in these assets were not needed, the management might elect to invest some of this surplus money in readily marketable securities, commercial paper, call loans, etc., as a temporary matter, rather than let it lie idle. This, then, is another form of cash. "Advances on merchandise" is a current asset and another form of merchandise, and there are such other forms of the usual current assets. It is, therefore, evident that from time to time statements will be presented which will claim other current assets besides cash, receivables and merchandise. As one may judge from the foregoing, sometimes these claims are justified. On the other hand, sometimes they are not. This is for the credit man to determine. If the item is "securities," he should definitely know the composition before classing all or any portion as a current asset. If the item be "other receivables," he should thoroughly convince himself that the classification as a current asset is warranted before giving such a classification. The cash surrender value of life insurance is the surrender value of life insurance on the life of officers in favor of the company. While it is a quick asset in a liquidating concern, it is not a current asset in the ordinary operation of the business. The life insur-



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ance is carried for the benefit of the company: as a going concern it will be continued and not discontinued, and it is necessary that it be discontinued in order to realize its surrender value. Therefore, it is evident that it is rightfully regarded as a slow asset in a company being analyzed as a going concern.

The item of supplies is customarily considered as a slow asset, because of the fact that it is small, and inquiries concerning it are unusual. Supplies such as the bags of a flour company which enter into the product when it is sold, can rightfully be regarded as current assets. However, supplies such as electric light bulbs, machinery parts, etc., which are to go in the fixed assets of the company should not be regarded as current. It is impossible here to discuss all of the various assets which, from time to time, the credit man and analyst will find in statements, claimed to be current assets. Some are peculiar to the particular line of business. In the case of a leather tannery, an item will be shown of liquors in vats. These liquors are necessary to the tanning of the leather. They are absorbed in the tanning and become part

of the finished product. The leather tanner will probably claim them as current assets. In companies in special lines of business, such as commission merchants, mortgage companies, finance companies, etc., special items will appear, but due to the nature of the business the balance sheet cannot be analyzed in the usual way, from the current standpoint. In the three businesses just mentioned, for example, their line of endeavor is really that of commercial banking, and the balance sheets of these companies will give evidence of such functions.

#### *Slow Assets*

After the analyst has picked out the current assets accurately, he does not pay a great deal of attention to what is left, except that he is interested in their value to some extent from the standpoint of what they would produce in the event of trouble. Also, perhaps they will furnish some clue as to certain practices of the business. Other notes, loans and accounts receivable, including amounts due from officers, etc., are of little interest, except insofar as they tend to give a clue to some policy of the company. If they show a tendency



### *The Hand of a Great Service*

Americans who have traveled much in foreign lands will tell you that there is no more welcome sight to a troubled traveler than a courier of American Express.

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on the part of the company to advance liberally to officers or affiliated interests, it is interesting in this connection because such a practice is ordinarily to be frowned upon.

The credit man or analyst, sitting at his desk, can do little so far as an analysis of the plant item is concerned. He can note whether depreciation and repairs are properly charged off out of earnings; he can consider whether in the event of trouble, any money could be raised on the plant; or whether at the present time there is a heavy mortgage. A visit to the plant will furnish much in the way of ideas that can be gained as to the modernness of machinery and lay-out, and whether they are kept in good condition. Its location can also be considered. These features, together with certain other features as to the type of construction, systems for fire prevention, etc., are all features which enter into the economical operation of the plant. They have a vital bearing upon the company's ability to produce goods economically in contrast to competitors. Consideration can also be given as to whether the company has too much in the way of plant, and whether it can do a sufficient volume of business to use the output of the plant, or whether there is liable to be incurred therefrom a loss on overhead.

As to the item of investments, the current items have already been picked out. A schedule should be furnished of the balance. If all, or any portion, represents a controlling interest in one or more companies, separate statements, should be furnished of these, and these separate statements should be combined with the statement of the parent company in a consolidated showing of the proposition in its entirety. The preparation of the consolidated balance sheet will be discussed in a later issue.

Miscellaneous slow assets, including such items as prepaid expenses, rent, and other prepaid items, are of no interest. Items of bond discount, good will, etc., can be crossed off the balance sheet from the credit man's standpoint. Occasionally there will appear in the assets, an item of sinking fund. Perhaps this is against some mortgage or funded indebtedness, or against preferred stock. The treatment accorded it on the asset side of the statement should correspond with the treatment given it on the liability side.



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**Questions and answers on bank credit problems follow as usual and will continue each month.**

**QUESTION:** Quite some time ago I found the following question in your column "credit problems:"

"In passing upon a credit risk, is there a definite ratio of bank lines to working capital which can be considered normal? In other words, would you, as a bank officer, loan a commercial customer a sum of money equal to possibly 75 per cent. or 100 per cent. of his working capital, or would you limit his borrowings from your institution to a smaller amount?"

Part of the answer reads as follows:

"If the proposition is found to be a clean cut one, as we have assumed, and checkings in trade and possibly competitive circles are entirely satisfactory, the banker should be willing to encourage the business by granting a moderate line of credit. No

general rule can be laid down as to the amount, but if the proposition is a small one, with a working capital of less than \$50,000, the parties should no doubt be held to a line of 10 or 15 per cent., at least for the time being."

This theory does not seem to work out in a loan application which has recently been submitted to me. A valued client of the bank on January 1, 1926 showed on his statement the following figures:

|                                 |                 |
|---------------------------------|-----------------|
| Cash .....                      | \$ 3,000        |
| Accounts receivable .....       | 24,000          |
| Merchandise .....               | 35,000          |
| <b>Total quick assets .....</b> | <b>\$62,000</b> |
| Accounts payable .....          | \$12,000        |
| Bills payable to bank .....     | 6,000           |
| Working capital .....           | 44,000          |
|                                 | <b>\$62,000</b> |

Our client is asking for a total credit line of \$20,000, against which I have protested, reasoning to our loan committee as follows:

Since the \$6000 of bills payable shown in the statement originates from our institution, I figure that the working capital amounts to \$50,000, on which a safe credit line for us would be \$10,000. The figures would then show as follows:

|                                 |                 |
|---------------------------------|-----------------|
| Cash .....                      | \$13,000        |
| Accounts receivable .....       | 24,000          |
| Merchandise .....               | 35,000          |
| <b>Total quick assets .....</b> | <b>\$72,000</b> |
| Accounts payable .....          | \$12,000        |
| Bills payable to bank .....     | 10,000          |
| Working capital .....           | 50,000          |
|                                 | <b>\$72,000</b> |

The current ratio has changed from 344 to 100 to 327 to 100.

Our directors argue that, even if we allow him a line of \$20,000, the current position would still be very satisfactory, namely:

|                                  |                 |
|----------------------------------|-----------------|
| Cash .....                       | \$23,000        |
| Accounts receivable .....        | 24,000          |
| Merchandise (staple goods) ..... | 35,000          |
| <b>Total quick assets .....</b>  | <b>\$82,000</b> |
| Accounts payable .....           | \$12,000        |
| Bills payable to bank .....      | 20,000          |
| Working capital .....            | 50,000          |
|                                  | <b>\$82,000</b> |

Current ratio 256 to 100.

For the benefit of our institution, and my own satisfaction may I take the liberty of asking you for as full an explanation of this problem as your time will permit?

—A. K.

**ANSWER:** With regard to your method

of figuring working capital, adding the \$6000 due your bank to working capital, and raising the working capital thereby to \$50,000, it is not clear what justification you have for doing this. The company has certain assets and certain liabilities, the difference between being net working capital. You have no more right to omit a liability than you have to voluntarily write up an asset. The only way working capital can be increased is through the sale of merchandise at a profit, or through putting new money into the business and using it to retire current debt or increase current assets. Therefore, I believe that you must consider working capital at \$44,000.

Extending credit, or failing to extend credit, is the outcome of opinions. One man's opinion may be as good as another's. That is determined later by the amount of profit or loss sustained as a result of the extension. The question referred to as previously being answered in this column was answered by the former Credit Editor. It is suggested that you give the following features consideration:

1. Net working capital, which is \$44,000.
2. Net worth, and what equity in slow assets for bank creditors in the event of trouble.
3. What will the company's ratio be at its peak debt both to bank and trade?
4. Integrity of management and the moral risk.
5. Ability of the management, profitability of the business, and hazards of the business.
6. Goodness of the receivables and liquidity, and whether merchandise is valued conservatively. What value would the merchandise bring under the hammer?
7. Outside means and possibility of endorsements.
8. What does it mean to the bank to refuse?

The above constitute the chief features to be considered.

In most lines of business, where the proposition checks clean, a line of 10 to 15 per cent., where working capital is less than \$50,000, is a conservative amount for any one bank to extend. However, there are cases where two or three banks might be willing to extend such an amount, giving the company \$15,000 to \$25,000 total bank lines on a working capital of \$45,000 to \$50,000. In some instances one bank is willing to take all of the risk. It must be remembered that failures are greater among smaller companies than larger companies, and for this reason larger companies are entitled to a greater amount of credit in proportion to their working capital.

In the case you mention the borrower possibly has little equity in fixed assets and probably the peak debt is not far out of line with the figures shown, when it would owe banks \$20,000, and trade \$12,000, making a total of \$32,000. On this basis, they would have \$76,000 to pay \$32,000, and cash and accounts receivable would probably about equal current debt, leaving merchandise free. How good are receivables? If they include instalment notes, or a lot of frozen credit risks, that is another story. Also, how readily salable is the merchandise? If it is a good clean line of business, integrity and ability of management good, handling staple commodities, making money, receivables good and current, merchandise clean, peak debt about \$30,000 to \$35,000; if the money to be borrowed is to go into current assets or reduce debt, but not to be used to accumulate a large inventory of merchandise, or to speculate in merchandise, the risk would probably be good. However, it is a fairly full line in contrast to working capital, and all surrounding features should be attractive. If you can get endorsements that are worth anything, so much the better.



# Mid-Winter A. B. A. Trust Conference

Play Staged to Show Handling of Trust Work. Trust Solicitation and Trust Investments Among Topics Covered by Speakers.

THE "demonstration" idea at trust companies' conferences is rapidly gaining favor as a means of showing the practical handling of trust work. The playlet, "Squaring Promise With Performance" presented during the Trust Company Division meeting of the A. B. A. at Atlantic City last year was so successful, and attracted so much favorable comment, that two more demonstrations of a similar nature were introduced at the Seventh Mid-Winter Trust Conference, held at the Waldorf Astoria, New York, February 17-19. One of these playlets was called "The Widow's Inheritance," and the other is described by its name, "Protecting the Estate." As at Atlantic City, these plays were staged without rehearsal. But they were presented by men and women actually engaged in the work shown in them, and hence were given a realism that could hardly have been attained by professional stage talent.

The proceedings of the Mid-Winter Conference included a number of interesting addresses. One of these was on the history of trusts, "Ancient Precedents for Modern Wills and Trusts," by C. B. Royce, assistant secretary of the Brooklyn Trust Company, Brooklyn, N. Y. Problems of internal administration were discussed in the following addresses: "Bank Operations and Earnings as They Affect the Trust Department," by E. P. Vollertsen, comptroller National Bank of the Republic, Chicago; "How We Spread the Knowledge of Our Trust Department—on the Inside," by Fred W. Ellsworth, vice-president Hibernia Bank and Trust Company of New Orleans; "Trust Investments," by H. F. Wilson, Jr., vice-president Bankers Trust Company, New York; "Fiduciary Accounting" by Frederick Vierling, vice-president Mississippi Valley Trust Company, St. Louis (who seems to be the most active speaker on trust matters in the United States); "What We Have Done About Federal Estate and Gift Taxes" by F. W. Denio, vice-president Old Colony Trust Company, Boston; and "What Constitutes a Will Contest" by Orrin R. Judd, vice-president

Irving Bank-Columbia Trust Company, New York. Part of one of the afternoon sessions was devoted to a forum for the presentation and discussion of problems relating to trust work, presided over by Edward J. Fox, vice-president Trust Company Division of the A. B. A., and president Easton Trust Company, Pa.

## *Soliciting New Business*

New business received its share of attention in "How to Solicit Trust Business Without Offending the Bar" by Merrell P. Callaway, vice-president Guaranty Trust Company, New York; "Some Experiences in Developing Business by the Printed Word and Radio" by G. Wallace Tibbetts, vice-president Exchange Trust Company, Boston, and "Shall We Try to Secure Appointments as Receiver?" by Lawrence J. Toomey, trust officer Union Trust Company, Detroit. Fred W. Ellsworth presided at a session devoted to discussion of problems in connection with the development of trust business, the open forum method being used throughout. There was also an interesting exhibition of fiduciary advertising.

Nor were the larger problems of the social effects of trust business, and trust business in other countries neglected. There were discussions of "Charitable Trusts" by Dr. John H. Finley, associate editor *New York Times*; of the "Co-ordination of Fiduciary Objectives" by Dr. Alfred W. Anthony, chairman of the committee on financial and fiduciary matters of the Federal Council of the Churches of Christ in America; on "How Canada is Developing Trust Business" by Lt. Col. Irving P. Rexford, general manager Crown Trust Company, Montreal; on "The Institute's Program for Training Trust Men" by Stephen I. Miller, director of education American Institute of Banking; and on "The Federal Reserve—A Gold Trusteeship" by Pierre Jay, chairman Federal Reserve Bank of New York; and there was a forum devoted to a review of insurance trust agreements, to assist trust officers,

attorneys, insurance men, etc., in developing this type of business, presided over by Thomas C. Hennings, vice-president Mercantile Trust Company, St. Louis.

#### *The Annual Banquet*

The annual banquet was held in the grand ballroom of the Waldorf Astoria, on February 18, the number attending being so great that tables had to be set in the two galleries as well as on the ballroom floor. Francis H. Sisson, vice-president Guaranty Trust Company, New York, presided, and gave a characteristically optimistic address entitled "The World Turns to the Right" the gist of which was that "the inauguration of the Dawes Plan, the Conference of Locarno, our entrance into the World Court, the gradual readjustment of international relations and the restoration of political and economic stability have all marked a turn to the right, away from the baffling crossroads at which the world seemed to have lost its way. In the face of this last year's turn to the right may we not logically hope for the enjoyment of a better ordered world, for a deeper realization of peace as the basis of prosperity and progress, for the coming of an age of faith in which the spirit of brotherhood will replace the violence of war and the benefits of co-operative service will supplant the disasters of blind selfishness."

Neal O'Hara, whose syndicated column daily delights readers all over the country furnished plenty of humor. He spoke of the recent bank mergers in New York, saying that he had heard that the Corn Exchange Bank was to merge with the Lima Bean Trust Company as the Succotash National Bank.

Mayor Walker of New York was unable to be present, as scheduled, due to illness. His place was taken by Governor Moore of New Jersey. Hon. George H. Moses, U. S. Senator from New Hampshire delivered an excellent address on the multiplicity of laws.

A section of the New York Banks' Glee Club gave some excellent selections. The talented Ernest K. Satterlee, president of the Franklin Savings Bank, New York, played several selections on the organ. The dinner was attended by practically all of the 300 delegates present at the conference.

It is impossible to include accounts of all the addresses, in the space available

in this issue. Accordingly, the plan has been adopted of including what seemed to be the most important address in each group; that is, Mr. Wilson's address on "Trust Investments," in the internal administration group; Mr. Callaway's address on "How to Solicit Trust Business Without Offending the Bar," in the new business group; and Mr. Jay's address on "The Federal Reserve—A Gold Trusteeship" in the general group.

#### *Trust Investments*

Mr. Wilson, after pointing out that trust investments must be made with more care than ordinary bank investments, because the losses, if any, fall directly on the beneficiary, and are immediately and severely felt, instead of being spread over a number of depositors and stockholders, and reminding the delegates that the trust companies hold out the fact that they are specialists in investment, as one of the advantages of corporate administration, stressed the importance of a most careful and painstaking handling of trust funds, even though the compensation for this service be inadequate. He then described the method which the Bankers Trust Company, New York, uses for handling its trust investments, as follows:

Each account is treated as a whole. All trusts (with the exception of those donor controlled accounts which by the terms of the agreement creating them are not to receive review service) are reviewed periodically (either on the initiative of a trust officer or a person beneficially interested in the account, or at the request of the statistical or trust departments themselves).

The trust securities are indexed on cards and subdivided into groups, such as rails, public utilities, industrials, foreign governments, municipals, etc. These cards are reviewed once a month by the corresponding heads of the statistical department; that is to say, the head of the railroad division reviews the rails, the head of the public utility division reviews public utility securities, etc., watching the situation in each company and each industry, and from time to time considering the advisability of taking action on the securities held in trust. At frequent intervals such situations are reconsidered in the light of any new developments which come to our attention. Most banks and trust companies have ways of obtaining information which is not readily available to individuals, although neither can predict market fluctuations. Trust investments should be considered on intrinsic worth and market prices are only one of many factors.



Irrespective of the manner of review, the statistical department is constantly bringing to the attention of the trust officers such problems as it feels should be submitted to the trust investment committee, either with or without definite recommendations.

#### *Submitting the Investments to Committees*

After analysis by the statistical department, the next step is the consideration by a general sub-committee, under the leadership of the investment trust officer. This committee meets weekly, two or three days in advance of the regular meeting of the main committee, studies safety first, then tax problems, proper diversification, best maturities for the terms of the trust, restrictions as to investments—legals, non-legals, etc.—and makes its definite recommendations to a main or central committee, which likewise meets every week.

The general sub-committee also makes its recommendations to the central committee covering suggested changes, sales and review of new estates or trusts.

The general sub-committee of seven includes in its membership specialists for each group of securities and also official representatives of the other New York offices. It makes its definite recommendations to the central committee, which either approves or alters the recommendations of the general sub-committee. In this way, the main or central committee is relieved of many details, yet it knows that the problems of safety, diversification, taxability, maturity, marketability, etc., have all been carefully considered before it is called upon to consider the specific investments and give its approval or other suggestions. The plan also has the advantage of training future members for the central committee without experimenting on the trust accounts.

After running the gantlet of these committees, the trust investments are then submitted for final approval by the investment committee, and, it must be added, very occasional disapproval, as the trust investment committee is naturally careful not to recommend anything which it feels will not be approved by the executive committee which meets twice a week.

#### *Special Committees for Securities Groups*

In addition to all the foregoing, there is a special committee for each group of securities, such as rails, public utilities, industrials, foreign government bonds, state and municipal bonds, United States Government securities, Federal Land Bank bonds, and Joint Stock Land Bank bonds, and a sub-committee also for stocks of banks, insurance and surety companies. On each of these committees is the head of the corresponding division of the statistical department and each sub-committee

has one of the senior officers as chairman.

The function of these sub-committees is to review their particular group of securities at least twice a year and make written reports to the central committee, one each month. In this additional way during the year all the securities held in trust accounts, and especially those controlled by the bank as trustee, are reviewed.

There is also a real estate committee which passes upon all bond and mortgage investments, and its recommendations in turn are submitted for approval by the central committee. All matters of policy relating to trust investments are also passed upon by the central committee and executive committee and finally all new investments are approved, and very occasionally disapproved, as already mentioned, by the executive committee, without whose approval no trust investments are made.

The bank publishes semi-weekly, for the use of the entire office, a financial bulletin which contains the details of bonds called for payment, declaration of dividends, exchange of temporary for permanent securities, formation of protective committees, operation of sinking funds, etc. This bulletin is carefully checked twice a week as to all trust investments and anything which requires investigation is at once referred to our statistical department for analysis and recommendation to our general sub-committee.

Mr. Wilson added that the opinion seems to be unanimous in New York State that the list of legal investments for trust funds should be enlarged, and expressed the hope that the bill at present before the legislature of the State of New York, to make investments in the bonds of public utility corporations legal, would be passed, substantially in its present form.

#### *The Propriety of Soliciting Trust Business*

Mr. Callaway, in considering "How to Solicit Trust Business Without Offending the Bar," said that there is still doubt in some minds as to the propriety of soliciting trust business. He believes that such solicitation is proper, but that it should not be by way of a general public campaign, but should be confined to a carefully prepared list of prospects, made up primarily from the customers and stockholders of the company.

The objection of some members of the bar to the corporate fiduciary idea is not due so much to the idea or to the solicitation of trust business; but to the misguided zeal with which some of the trust companies in the early days undertook to do the legal side of the work of trust administration.

This the lawyers properly resented as an invasion of their field.

This led to an agitation for the passage of laws to prohibit trust companies from practicing law. In New York, the Corporate Fiduciaries Association, shortly after its organization, passed resolutions to show that its members did not intend to encroach on the work of lawyers, but preferred, instead, to co-operate with the members of the bar.

While but a comparatively small proportion of administration of trusts is handled by lawyers, their good will is very important in the solicitation and building up of trust business. It may almost be said that without this good will, it is impossible for the corporate fiduciary idea to prosper. Therefore, it is important, as Mr. Callaway says in his closing paragraph, that:

The trust companies everywhere, irrespective of any law, should separate the purely administrative functions from the purely legal functions in handling trust business, and make it plain to the public and the bar that they do not practice law and offer no legal services. This is necessary in order to remove any lingering doubt of the purpose and attitude of the trust companies. Where this is done, it is believed that trust companies can solicit trust business as actively and as publicly as they choose without offending the members of the bar, but on the other hand, through service, secure their aid in advancing the cause of the corporate fiduciary.

#### *Accomplishments of Federal Reserve*

Pierre Jay, in his address "The Federal Reserve—A Gold Trusteehip," described how, before the Federal Reserve System, New York being the national money market, the New York City banks bore the brunt of any disturbances in the money market. They had to provide for the daily adjustment of the supply of credit to the demand, and the weekly clearing house report of their surplus reserves was the best index of credit conditions. The disadvantage of this was that when there ceased to be a surplus, the country knew the limit had been reached, and sometimes panics ensued.

The Federal Reserve System now provides the elasticity which formerly was lacking. The deadline of lack of surplus reserves has disappeared, for depleted reserves can be replenished by borrowing at the Federal Reserve Bank. In other words, the Federal Reserve Bank has assumed a certain amount of responsibility for the money market, by its discount rates, and by buying or selling short Government securi-

ties in the open market. This has almost eliminated the seasonal swing of interest rates and the danger of currency panics, and the New York money market has become a safer repository for the country's secondary reserves.

These steadier conditions have been instrumental in giving the New York money market an international importance, and, says Mr. Jay:

With these larger contacts between the New York market and markets in other countries, our money market conditions are much more affected by those of foreign countries than before. Conversely the better organization of our own money market enables this country to exert more influence than before upon gold movements and exchange fluctuations. As the Federal Reserve Banks, and primarily the Federal Reserve Bank of New York, because it is situated in the New York money market, are the organizations which have responsibility in such matters, we have felt it desirable to establish contacts and relations with a number of the important foreign banks of issue which have similar responsibilities in their respective countries. By means of these relationships, information is exchanged which is mutually valuable in the discharge of these responsibilities, and such business transactions as may be necessary and proper are undertaken. At a time like the present when the world is slowly, but surely, struggling back to the gold standard, the Federal Reserve Banks, have in certain cases, where requested, and where a definite program made it practicable, extended credit to foreign banks of issue to assist in the resumption of gold payments or for the improvement of their monetary conditions. Our feeling has been that aid so extended to foreign banks of issue was a valuable contribution on our part to American commerce, industry and agriculture, because it assisted in stabilizing foreign currencies, markets and purchasing power. We have also felt nothing could so facilitate the free flow of credit from one market to another in accordance with the natural laws of supply and demand as to have the important money markets of the world resting again firmly on a gold basis.

To sum up, then, the Federal Reserve System acts as a trustee for the gold reserves of the banks of the country. It is charged with their administration in the interest not of the banks alone but of business and the public as well. The administration of this gold trusteehip involves not merely some measure of responsibility for credit conditions at home; it also involves some regard for the relation of the American money market to the money markets of other countries.

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# Banking Publicity

Special Section of The Bankers Magazine

MARCH 1926

## A Co-operative Campaign To Solve The Small Accounts Problem

How the Banks of St. Petersburg, Florida, are Attempting to Stimulate or Eliminate Unprofitable Accounts

By T. D. MacGREGOR

UNITED action by all the banks of a given community seems to be the best practical way to meet the problem of small, unprofitable checking accounts. Through a plan put into effect by the banks of St. Petersburg, Florida, the Clearing House Association, consisting of the First National Bank, the Central National Bank and Trust Company, American Bank and Trust Company, the Ninth Street Bank and Trust Company, and the Alexander National Bank, agreed to a monthly charge of one dollar on all accounts averaging less than \$100 and where more than four checks are drawn within the month. All announcements made or any action taken are in the name of the Clearing House Association. Thus it is impossible for any depositor to become offended and go to another bank because he is being urged to increase his balance.

Three full-page newspaper advertisements were run, announcing the new rule, giving a full discussion of the cost of banking service and explaining why small accounts are unprofitable, with this heading:

**TO HOLDERS OF SMALL BANK ACCOUNTS—AN ANNOUNCEMENT AND AN EXPLANATION**

The names of all the member banks of the Clearing House

Association were signed to the advertisement. It was run three times in each of the local newspapers.

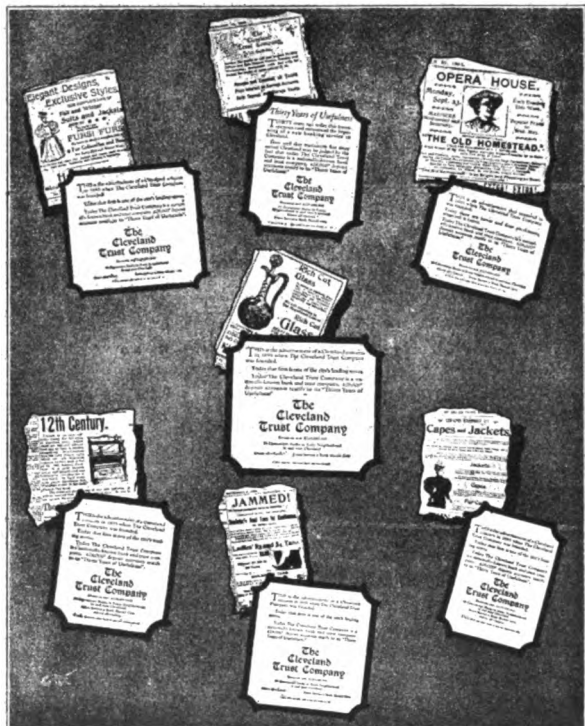
The same copy as that in the full-page newspaper advertisement is published in folder form for distribution at the same time by mail among the

small depositors on the books of the member banks. It is being sent only to those whose accounts are unprofitable.

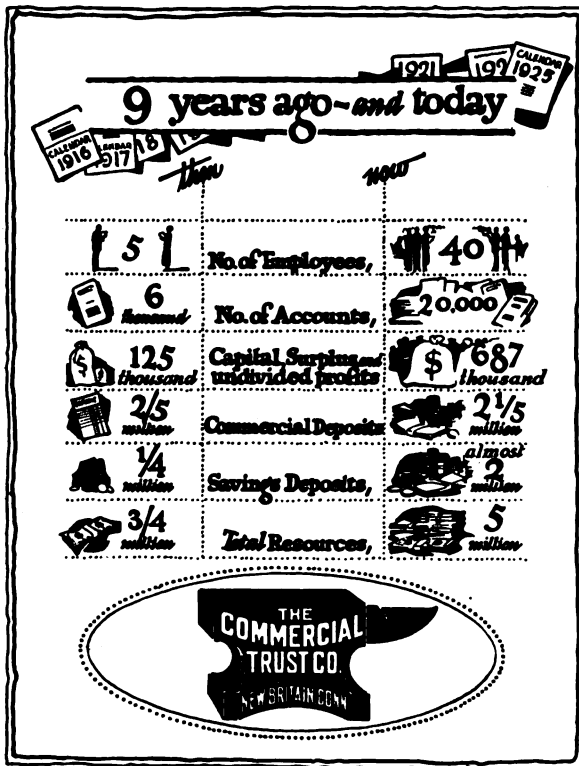
The text of the announcement is as follows:

"I'll send you a check." How often do you say this to your butcher, baker, grocer and the dozen or two business men with whom you do business? You write the check and the bill is forthwith paid. What happened *before* you wrote that check?

"You opened a checking account at your bank. When



A Cleveland bank on the occasion of its thirtieth anniversary made up a display reproducing advertising of Cleveland business concerns, a theater, and the bank's first advertisement as they appeared thirty years ago in Cleveland newspapers. Accompanying these reproductions are a number of pieces of explanatory copy relating to them, set in the modern style of the bank's advertising.



A pictorial presentation of a Connecticut bank's development and growth over a period of years.

you were there you met officers and employes, you saw cages, desks, telephones, the banking room and all that. And you may have noticed adding and check writing machines, modern bookkeeping systems, etc., all that the accounts may be absolutely accurate—to the *very last penny*.

"You wrote your name on a signature card, your deposit was entered on a slip and you were given a checkbook with the blank checks printed on paper specially manufactured to show the slightest tampering with your check—all for your *protection*.

"And it didn't cost you a cent.

"Now what happened after you wrote your check? The man to whom you gave it deposited it in his bank, and his

bank sent it for collection to the clearing house, then to your own bank for collection. If the check were sent out of town, the machinery of other banks, clearing houses and the Federal Reserve System also functioned.

"That's for your *convenience* and *service* as well as your protection.

"All you have to do is to deposit money in your bank and write your check. Always your money is at your beck and call—always ready, instantly available and safe beyond question. You have the free use of the greatest banking system in the world.

"And it doesn't cost you a cent.

"It has been figured by the Federal Reserve Bank and proved by careful tests by

members of this association that it costs your bank 7 1/4 cents to collect every check you draw. This cost is supposed to be met through the privilege you give your bank to lend or invest your money in certain definite, legal ways and strictly in accordance with the accepted practices of sound banking.

"But if your balance is say \$100 and you draw twenty checks a month with only enough deposits to meet the checks, how can the bank meet its costs? Frankly, it cannot. The profits accruing from depositors who keep their balances above a certain minimum amount must be used for the purpose. This is manifestly unfair. Each account should at least have a balance large enough to keep the banks from *actually losing money* in handling it.

"A bank cannot raise its prices as a dealer in merchandise can. A bank's income is pre-determined—its rates are limited by law. A bank's overhead is high, its income made up of small items multiplied many times. And it costs almost as much to handle a small account as a large one.

"The problem of losing money on small checking accounts is one that is being given careful attention by banks and bankers' associations all over the country.

"We, the members of the St. Petersburg Clearing House Association, feel that this problem can be solved by the *co-operation of the depositors themselves*.

"Your bank wants you as a depositor and earnestly desires you to grow and prosper.

"Therefore, we appeal for your co-operation and to your sense of fairness. If your balance is small, we urge you to bring it up to reasonable proportions as promptly as pos-

sible. Make it "stand on its own feet"—pay its own way. You will thus help solve a problem of great importance to our community, for you will assist your bank in further aiding the progress of our city. You will make yourself better off financially, build up your own standing and place yourself in a position to take advantage of opportunities which abound in Florida.

"In view of the foregoing explanation, we feel, too, that if your checking account balance averages as low as \$100 in any one month and you draw more than four checks during that month you will not object to the service charge of a dollar recently put into effect by this association. **Your bank will not make money on that—impossible.** But it will help your bank to keep from losing money on your account.

"Your bank places safety absolutely first, but service to you is a close second, and your hearty co-operation will help your bank to further improve the service it gives you."

Several weeks after the newspaper advertisements have appeared and the folders are distributed to those whose accounts are unprofitable, even with a dollar a month service charge, these latter are given still further attention. A clerk in each bank makes a list of such accounts on the books of his institution and one of the officers writes a courteous letter to each of the holders of wayward accounts (a few at a time) asking them to call at the bank as soon as possible. When they call a personal explanation of the situation is to be made. Usually where such a course is pursued the depositor is quick to see the point and promises either to build up his balance or to close out his account.

**SECURITY NATIONAL BANK**

4%

## Get Up From Your Easy Chair!

Reading inspirational magazines with their stories of success is going to do **you** no good unless **you** do something.

Lounging in your easy chair, reading, nodding and saying "Isn't that true. That just hits my case," is only make-believe, unless you follow through.

Do Something!  
Save Something!  
**Get Up from Your Easy Chair!**

**THE SECURITY NATIONAL BANK**  
OF EVERETT  
EVERETT, WASHINGTON

The author of this original advertisement, V. M. Fell, vice-president of the bank publishing it, says that he was moved to write it by the fact that he has heard so many comments of awe and admiration expressed by readers of certain inspirational magazines of large circulation in reference to certain successful men and women who have been written up, but has seen so little action on the part of the average reader, that he decided to fire a shot which might help to wake up some of those who read, enthuse, and then allow themselves to cool off.

Great care must be taken in this contact, because it sometimes happens that a depositor, although his account is small, may have relatives or personal friends of importance to the

bank. It is realized that the officer assigned to this work must always be diplomatic and tactful and know as much as possible about the connections of the depositor.

## How Banks Are Advertising

“THE Hand Clasp” official monthly publication of the Savings Banks Association of Massachusetts is an unusually stimulating and presentably prepared magazine, offering a good example of how an association house organ can hold the interest of its readers and at the same

time be of real service to them. The number at hand “February 1926” contains a well written article on “Safety in Public Debts;” a number of interesting editorials and personal items regarding matters of interest to members of the Association. This number also in-

(Continued on page 443)

## Banking Publicity

RICHARD F. DURHAM, Editor

Monthly Publicity Section

THE BANKERS MAGAZINE

71-73 Murray St., New York

MARCH 1926

**I**N a community where there are a number of competing banks having relatively the same resources, and where competition for new business is unusually keen, an individual bank can seldom hope to stand forth as pre-eminent in the rendering of all forms of banking service. In such a situation it is, however, not only possible but probable that almost any one bank of the group has some single form of banking service which it is organized and equipped to perform and which it does perform in a manner that is not only unusually satisfactory to customers, but which makes the bank stand out as a leader among banks in the community in the supplying of this particular form of service.

It behooves a bank in its advertising, as in other activities, to put its best foot forward. If a bank knows that it has a certain department which gives exceptional service to customers, and that such service is highly appreciated by customers, this fact can be played up to advantage in the bank's advertising. Through throwing the spotlight on that

form of bank service in the performance of which it excels, a bank may very well find that it has struck upon a profitable and effective means of increasing both its prestige and its actual business.



**I**T is axiomatic that one can never be entirely sure what such and such an advertising plan will do until that plan has been tried. More than one seemingly good publicity plan has been figured out in great detail and with painstaking precision, only to go awry when put to the test.

On the other hand, the reason that many a promising plan has gone on the rocks may be traced to the fact that it was never really given a fair trial. Either somebody got cold feet, or somebody else conceived another plan which was "much better," and the original plan was abandoned before it had an opportunity to demonstrate its value or its lack of value. No plan which gives any evidence of being worth while in conception can do itself justice when actually tried out unless it is carried to completion.



**I**DEAS are both elusive and highly volatile. Most of them escape the mind before they have assumed a definite shape or form. One of the most resourceful and

versatile financial advertisers that the editor knows has an ingenious and very simple scheme for catching advertising ideas on the wing and storing them away where they cannot escape. He makes no claim to originality for this scheme. But it is at least very interesting. He calls his plan an "idea trap." It consists in a conveniently located drawer in the advertiser's desk, reserved exclusively for slips of paper on which are written down publicity ideas, good, bad and indifferent. The instant that the spark of any publicity idea ignites in his mind he writes it down on a slip and puts his slip in the "idea trap." When the drawer becomes filled he empties it, sorts out the ideas, throws away those that he does not believe to be worth keeping and lists the remainder in a small and compact classified index. In this manner he occasionally manages to develop something worth while enough to make him feel more than repaid for the trouble to which he has gone.



While the purpose of institutional advertising is to build good will for the institution, it is to be borne in mind that this is merely a means to an end. Advertising is not altruistic. It is a business getter. Its purpose is not to entertain the public, but to get customers. Newspaper space is too valuable to be wasted in pretty pictures and platitudes.

—Frank H. Fayant

## How Banks Are Advertising

(Continued from page 441)

cludes some illustrations of effective bank window displays prepared by Massachusetts Savings Banks during the holiday season, and includes three very comprehensive charts showing the distribution of the country's savings as of June 30, 1925, the distribution of Massachusetts' savings accounts as of June 30, 1925, and the percentage of investments to assets in Massachusetts mutual savings banks in 1925 as compared to 1915.



**T**WO folders recently published in colors by the Corn Exchange Bank, New York, "Built for You" and "The Real Business of this Bank" contain some very good copy, presented in very attractive typographical form.



**"CENTRAL Clearings"** monthly employe house organ published by the "Fellowship Club" of the Central Trust Company of Illinois, Chicago, contains a profusion of personal items regarding the bank's employes. The March number of this publication includes a supplement giving the results of an employes' Christmas Club campaign which brought in more than 2000 Christmas Club accounts, and also contains an article about the minstrel show which the bank's club is planning to hold.



**T**HE Fidelity Trust Company of New York has been publishing a very interesting series of four page folders on trust company service. On the first page of each of these folders is a printed letter with the name of the person addressed printed in the same type in which the letter is set.

## Who's Who in Bank Advertising



W. H. SPRADLIN, JR.

Vice-president American Exchange National Bank,  
Greensboro, N. C.

**T**HE originality and unusual human interest qualities of the copy which Mr. Spradlin writes have attracted wide attention to the advertisements of his bank, which has on its books 36,000 accounts in a city of 45,000 population. As a part of the American Exchange National's extension service, reprints of all advertisements are sent regularly to several hundred banks in four southern states, with permission to use any, or all, of the advertisements over their own signatures. Mr. Spradlin began his banking career, after leaving Vanderbilt University in 1905, as a runner in the First National Bank of Gallatin, Tenn. Since that time he has held practically every position in banking up to and including vice-president. He has been connected with the American National Bank in Nashville, Tenn., the Fayette Bank and Trust Company of Connersville, Ind., and the former First-Second National Bank of Akron, Ohio, now converted into a state bank under another name. Mr. Spradlin has devoted a good deal of attention to financial publicity for a number of years. He carries on his advertising activities outside of business hours, as his banking duties as an active vice-president require all his time during the banking day. He is vice-president of the Greensboro Advertising Club.



**T**WO well planned trust booklets recently issued by the State Street Trust Company of Boston, Massachusetts, are "The Trust and Its Forms," covering the subjects of living trusts, testamentary trusts and the custody and management of securities, and "The Life Insurance Trust" which contains some very readable copy on the manner in which this form of trust is created.



**T**HE initial number of the *Farmer-Banker*, the new monthly house organ of the Primary Producers Bank of Australia Limited, Sydney, has come into this office. The magazine contains a number of very interesting and informative articles. The bank in presenting this new publication makes the following introductory remarks on page 1:

With this number "The Farmer-Banker" makes its first bow to the shareholders, customers and friends of the Primary Producers Bank of Australia, Ltd.

It takes up the running in place of the quarterly Official Bulletin, which has carried the Bank's message so effectively up to the present time.

With the remarkable growth of the Bank's business, and its ever-widening circle of customers and shareholders, the Directors have sensed the need of a more frequent issue of the Bank's official publication. Consequently The *Farmer-Banker* will be issued regularly on the first of every month, beginning the first of September.

We believe that this publication is unique in Australia, as it is the only journal issued by any Australian Bank for circulation

amongst its shareholders and customers.

In placing this copy in your hands, we do so believing that it will be found interesting, and, in some respects, instructive. Various features will be added from time to time which we feel will add much to the value and attractiveness of your journal, *The Farmer-Banker*.



**A** SAVINGS folder recently published by the Warren National Bank of Warren, Pa., contains some interesting copy in story form. The folder reads:

A job was waiting for Carlos at the mines fifty miles away if he could arrive there tomorrow.

In that part of Spain there were no railways. Carlos had no horse and the distance was too great for him to walk. So he was forced to beg a ride behind a Stranger who came down the mountain. He mounted behind the Stranger and one horse carried both.

At dark they reached an inn. Carlos wished to ride on, but the stranger was hungry. Carlos had to stop with him, for the horse belonged to the Stranger.

Hour after hour the Stranger sat drinking by the fire, while Carlos despaired. He was so eager to be at the mines in time. But he could not mount and go for the horse belonged to the Stranger.

At midnight they rode on. It was dark and steep. The horse went slowly with his two riders. Carlos fell asleep.

Next morning, when he awoke, Carlos was lying by the side of the road. His head ached. His purse was gone. He knew then that he had been riding with a robber.

When he reached the mines, after walking all day, the position was filled. "Too late," cried the manager. "Why did you take so long?"

"Alas," replied Carlos, as he rubbed his aching head, "He who rides behind another cannot saddle when he will."

When you decide to make an important change, usually the first question is, "Can I finance it?" Many a man has had to let good opportunities slip by just

because he was not financially prepared to grasp them.

Don't be compelled to "ride behind another." Save something each pay-day, and you can "saddle when you will."



### Cert-ainly

**A** BUSINESS man recently went to his bank to get a check certified. The cashier was busy with a lady depositor, and as the newcomer waited for his turn he could not help overhearing the conversation. The fair depositor asked the cashier to certify five checks for her, none of which had been made out in full. Taking up the first the cashier asked what amount it was for, and after some hesitation the lady replied:

"Seventy-five dollars."

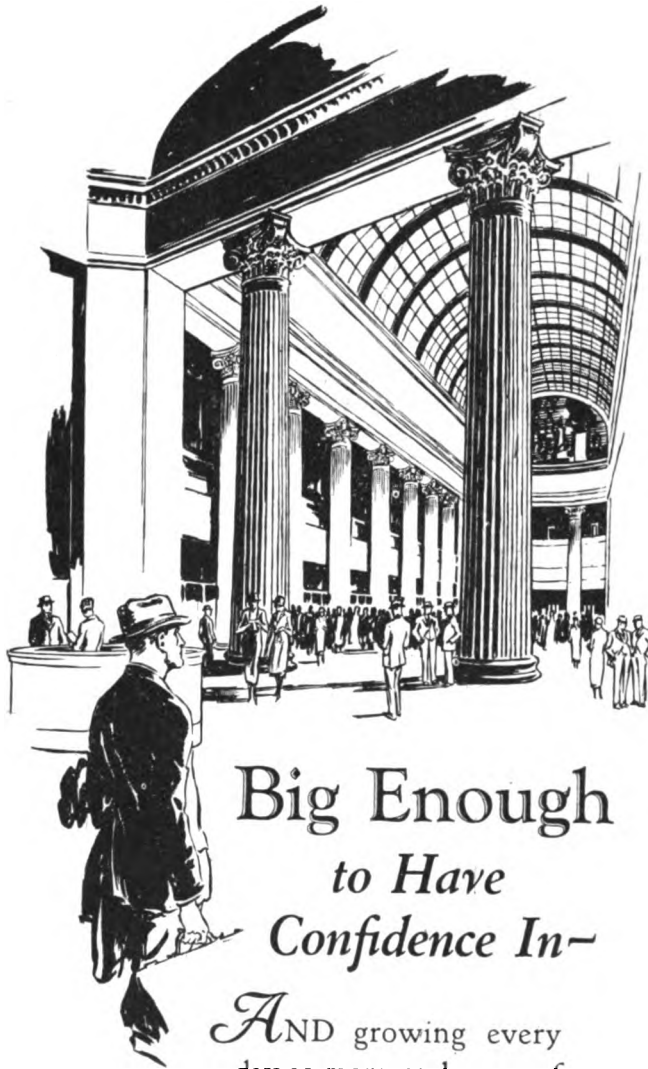
The check was filled in and certified, then the cashier took up the next one, repeating his question. The lady hesitated again and finally said:

"What I want is for you just to certify the blank checks. Then I can fill in the amounts as I need to use them."

The flabbergasted cashier eventually managed to explain to her just why he couldn't and to send her away at least moderately satisfied. Then he turned to the business man who promptly placed his check-book on the desk and suggested: "Just certify the whole blamed lot in blank for me. Then I can have a whale of time."—*Wall Street Journal*

## BANK ADVERTISING EXCHANGE

**I**N connection with BANKING PUBLICITY there is conducted a Bank Advertising Exchange, containing a list of names of bank advertisers willing to exchange advertisements, booklets and other publicity matter issued by them. Any subscriber who will agree to exchange advertising matter may be added to this list. A copy of this list may be had by any subscriber upon application.



Big Enough  
to Have  
Confidence In—

AND growing every  
day as more and more of  
our colleagues in banking  
“discover” the unique  
service facilities of

The **UNION TRUST Co.**

CLEVELAND, OHIO

*Resources over 300 Millions*

SINCE '61 A BANK FOR BANKERS



**st**

# **Investigate**

**The Service  
of the "First"  
in St. Louis**

*Over 60 Years' Experience  
in Handling  
Out-of-Town Bank Business*

**More Than  
2000  
Bank Correspondents**



**Broadway—Locust—Olive**

**Resources Over \$160,000,000.00**

# Banking and Financial Notes

SPECIAL

**BANKERS  
MAGAZINE**

SECTION

## Eastern States

*Comprising New York, New Jersey, Pennsylvania and Delaware.*

### CONVENTION DATES

National Safe Deposit Convention—at New York, N. Y., May 7-8.

Pennsylvania Bankers Association—at Atlantic City, N. J., May 26-28.

N. Y. State Bankers Association—at Quebec, Canada, June 21-23.

National Association of Mutual Savings Banks—at Philadelphia, Pa., October 18-22.

### CHASE-MECHANICS AND METALS MERGER

Upon the consummation of the merger of the Mechanics and Metals National Bank, New York, with the Chase National Bank, New York will have two billion dollar banks, the National City Bank being the other. The consolidated institution will operate as the Chase National Bank of the City of New York, and as usual in cases of mergers, all the officers of both institutions will join the staff of the new bank. The board of directors will consist of the present board of the Chase National Bank and additional members from the board of the Mechanics and Metals National Bank. Albert H. Wiggin, chairman of the board of directors and president of the Chase National Bank will head the management of the consolidated institution as chairman of the board of directors; Gates W. McGarrah, chairman of the board of the Mechanics and Metals National Bank, will be chairman of the executive committee; and John McHugh, president of the Mechanics and Metals National Bank, will become president. Based upon recent financial statements, the combined deposits of the new Chase National Bank will aggregate almost \$900,000,000, and total assets will be about \$1,025,000,000.

There must be something in heredity in banks as well as in humans, for both of the banks fathered by John Thompson are outstanding examples of strength. After operating the First National Bank of New York for fifteen years, he sold it to George F. Baker, and on September 12, 1877, or-



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**ALBERT H. WIGGIN**

Chairman of the board and president Chase National Bank, New York, who will be chairman of the new Chase National Bank, formed by the merger of the Mechanics and Metals with the Chase National

Bank, so named in honor of Lincoln's Secretary of the Treasury, Salmon P. Chase. It began business with \$300,000 capital, with a force of four clerks, one of which, Charles E. Slade, is still with the bank as assistant cashier.

The telephone at that time was a little



# THE AMERICAN UNION BANK

ANNOUNCES THE OPENING OF ITS NEW BANKING QUARTERS  
IN THE

AMERICAN UNION BANK BUILDING

EIGHTH AVENUE AT 37th STREET

ON MONDAY, MARCH 15, 1926

A MODERN INSTITUTION RENDERING TO THE COMMUNITY  
A COMPLETE AND EFFICIENT BANKING SERVICE

FOREIGN EXCHANGE DEPARTMENT

Letters of Credit, Drafts and Bills of Exchange, Money Orders,  
Travelers' Cheques

# THE AMERICAN UNION BANK

EIGHTH AVENUE *at 37th Street*  
NEW YORK

SECOND AVENUE  
*at 83rd Street*

BROADWAY  
*at 21st Street*

MEMBER FEDERAL RESERVE SYSTEM

# Kings County Trust Company

City of New York, Borough of Brooklyn

Capital \$500,000 Surplus \$4,000,000 Undivided Profits \$794,000

**JULIAN P. FAIRCHILD, President**

**JULIAN D. FAIRCHILD, Vice-President**  
**WILLIAM J. WASON, JR., Vice-President**  
**HOWARD D. JOOST, Vice-President**  
**J. NORMAN CARPENTER, Vice-President**

**THOMAS BLAKE, Secretary**  
**ALBERT I. TABOR, Assistant Secretary**  
**CLARENCE E. TOBIAS, Assistant Secretary**  
**ALBERT E. ECKERSON Auditor**

**ACCOUNTS INVITED**

**INTEREST ALLOWED ON DEPOSITS**

less than a year old, but was coming into use, and one was placed in the bank. After a month, however, it was removed, for, said John Thompson, "It was a damn nuisance, with all the brokers calling up for loans at three o'clock."

John Thompson's son, Samuel, was the first president of the bank, and served until his death in 1884, when he was succeeded by his father until 1886. At that time, new interests headed by the banking firm of Moore & Schley came into control, and Henry W. Cannon was made president. A. Barton Hepburn succeeded Mr. Cannon in 1904, though Mr. Cannon retained and still retains his place on the board of directors. In 1911, Mr. Hepburn became chairman of the board, and Albert H. Wiggin became president. Up to the time Mr. Wiggin came with the bank, it had been chiefly a bank for banks. He made it also a bank of industry, manufacture and business. In 1918 he retired to the less active duties of chairman of the board, and Eugene V. R. Thayer was elected president. He resigned in 1921 and Mr. Wiggin again resumed the presidency, retaining his office as chairman.

The bank now has capital of \$20,000,000 as compared with the original \$300,000; its deposits have grown from \$14,738 to about \$570,000,000, and the clerical force has grown from four to 1487.

The history of the Mechanics and Metals is no less interesting. It was New York's first labor bank (in spite of the fact that the Amalgamated Bank claims that distinction) organized by the Central Society of Mechanics and Tradesmen in 1810 for the "benefit of mechanical interests and to be conducive to the more successful conduct of the manufactories of the city." Its first office was in a three story building previously the home of Alexander Hamilton, in front of which was a lawn. Depositors walking

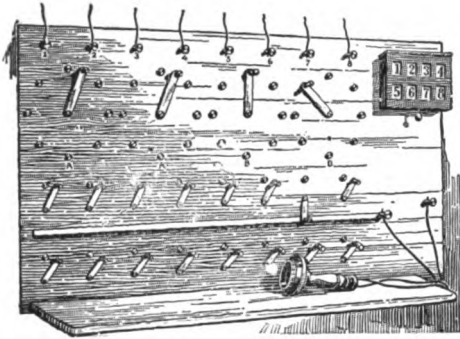
from the street to the bank often found tethered there the cow of the thrifty president of the bank, John Slidell. Mr. Slidell lived on the floor above the banking room, in order to better safeguard the cash of the bank. The bank was organized with a cap-



**JOHN McHUGH**

President of the Mechanics and Metals National Bank, New York, who will be president of the new Chase National Bank formed by the merger of the old Chase National with the Mechanics and Metals

ital of \$1,500,000, which was increased to \$2,000,000 the year following its organization. Capital, surplus and undivided profits now approximate \$275,000,000. The bank was one of the five banks instrumental in forming the New York Clearing House in 1852. In 1865 it gave up its state charter



The First Telephone Switchboard used for commercial purposes. New Haven, 1878. It connected eight lines.

## The first switchboard

OVER a year after the telephone uttered its first sentence on March 10, 1876, the first switchboard experiment took place. Four Boston banks and a manufacturing concern were connected, utilizing burglar alarm wires. The first switchboard to give commercial telephone service was installed in New Haven in 1878, connecting eight subscribers.

From these crude beginnings have evolved the complex central office switchboards of today. Installed in over 6,000 offices, they connect nearly 17,000,000 telephones, one with another. This operating equipment of the Bell System constitutes over one-fifth of its physical property and represents an investment of more than \$600,000,000.

Underlying the securities of the Bell System are this plant and the nation-wide service it provides.

*The dividend rate of the stock of A. T. & T.—parent company of the Bell System—is 9%. This investment stock can be bought in the open market to yield a good return. Write for booklet, "Some Financial Facts."*



# BELL TELEPHONE SECURITIES CO. Inc.

D. F. Houston, President  
195 Broadway NEW YORK



"The People's  
Messenger"

## *A Cordial Invitation*

Trust Companies, Banks and bankers desiring new or additional facilities in New York City are invited to communicate with this Company. Every banking and trust service is at the disposal of out-of-town banking institutions.

### UNITED STATES MORTGAGE & TRUST COMPANY

Main Office: 55 Cedar Street

**Branches:**

Broadway at 73rd Street  
125th St. at Eighth Ave.

Madison Avenue at 74th St.  
Lexington Avenue at 47th St.

New York

and became a national bank. The most striking growth of the bank has come since the election of Gates W. McGarrah as president in 1902.

Albert H. Wiggin, who heads the official staff of the new Chase National Bank, started at the bottom and worked up, as, for that matter, did also Gates W. McGarrah and John McHugh, chairman of the executive committee and president of the new bank, respectively. Mr. Wiggin, who was the son of a small town preacher went to work at 17, as a clerk in the Commonwealth Bank of Boston. Six years later, in 1891, he became a national bank examiner in the Boston district. He served as assistant cashier of the Third National Bank, Boston, and as vice-president of the Eliot National Bank of that city, before coming to New York, in 1897 as vice-president of the National Park Bank. In 1904 he moved to the Chase National as vice-president and director, and in 1911 became president. All due, so it is said, to the fact that he is "tremendously loyal . . . generous to a fault . . . of unlimited courage . . . a hard worker and player . . . big, jovial and handsome—the man of a million friends."

Mr. McGarrah started banking at 18, in Goshen, N. Y., and has been active in banking affairs ever since. In 1883, he came to New York with the Produce Exchange National Bank, and later joined the Leather Manufacturers' Bank as cashier, becoming president in 1902, and when the Leather Manufacturers' was merged with the Mechanics and Metals, he became president of the combined bank. He was made chairman of the board in 1922. Mr. McGarrah is also a member of the General Board of the German Reichsbank, being the American director named in accordance with the Dawes Plan.

Mr. McHugh (then known as "Honest John") came from Belleville, to Omaha, Nebr., in 1891, to work as a telegraph operator. He soon decided that banking was his forte, and accordingly became a clerk in the O'Neill State Bank, O'Neill, Nebraska. His first promotion came when he was tendered an assistant cashiership in the First National Bank of Sioux City, Ia. Further promotions brought him to the presidency of that bank, and consolidations soon made him the dominant banker of that community. At a bankers' convention,



he met a New York bank president, and the impression he made resulted in his election as first vice-president of the Mechanics and Metals National Bank, New York, in 1915. When Mr. McGarrah retired to the chairmanship of the board, in 1922, Mr. McHugh became president.

The new Chase National Bank will have



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#### GATES W. MCGARRAH

Chairman of the Mechanics and Metals National Bank, New York, who will be chairman of the executive committee of the new Chase National Bank, formed by the merger with it of the Mechanics and Metals

a capital of \$40,000,000, and surplus and undivided profits of about \$39,000,000 making combined capital, surplus, and undivided profits not less than \$79,000,000.

The March monthly letter of the Mechanics and Metals contains the following comment on the merger:

"This union has been prompted by the firm opinion on the part of the directors of both institutions that the consolidated bank, with so much greater capital than either of the separate institutions, as well as with the combined personnel, will be able to serve its customers in a much more efficient manner than heretofore. . . .

"In the formation of the greater institution, out of two banks which have long distinguished themselves in the service of the nation's industry and commerce, it goes

without saying that the good examples of the past century will provide a guiding spirit for the future. The traditions of many decades of banking activity are cherished, and will continue to contribute their part in charting the course of the consolidated bank. The principles and high purpose of John Slidell, Jacob Lorillard, John Fleming, Shepherd Knapp, Benjamin B. Sherman, and Horace E. Garth, together with those other able men who through the greater part of the Nineteenth Century, guided the destinies of this bank, have made their impress upon this generation and will go on doing so."

#### FRANKLIN NATIONAL-FOURTH STREET NATIONAL MERGER

The Franklin National Bank, Philadelphia, Pa., has merged with the Fourth Street National Bank, Philadelphia, as the



The Franklin National Bank Building, which will serve as the head office of the new Franklin Fourth Street National Bank, Philadelphia, Pa., after the merger of the Franklin National with the Fourth Street National.

Franklin Fourth National Bank, Philadelphia, which represents the largest banking consolidation ever undertaken in Philadelphia, and results in the creation of the

largest banking unit in the State of Pennsylvania.

To equalize the exchange of stock, the capital of the Franklin National will be increased from \$2,000,000 to \$3,000,000, upon completion of which the stock of both banks will be exchanged share for share for stock of the consolidated bank. The new bank will have capital of \$6,000,000, and combined capital, surplus and undivided profits will exceed \$24,000,000. Combined deposits of the new bank will approximate \$187,377,000, and total resources will be about \$168,000,000.

The present home of the Franklin National Bank will be the main office of the new bank, while the quarters of the Fourth Street National will be maintained as a branch. It is also reported that a West Philadelphia office will be opened in the new Pennsylvania Railroad Building at Thirty-second and Market streets, when the building is completed.

The board of directors of the new Franklin Fourth National will include the members of the boards of both banks. The executive forces as well as the clerical forces of the banks will also be kept intact. J. Rutherford McAllister, president of the Franklin National, is to serve as chairman of the board of directors of the consolidated institution, while F. F. Shanbacker, president of the Fourth Street National will be president of the new bank. Both started from humble positions, Mr. McAllister beginning as a runner for the First National Bank of Philadelphia, and Mr. Shanbacker starting as stenographer to the president of the bank which he now heads.

The Franklin National Bank, which began operations in 1900 had total resources of nearly \$84,000,000 at the time of the merger; while the Fourth Street National, which was organized in 1886, had resources of \$78,105,000, according to its latest statement.

**BACON SUCCEEDS GILPIN**

William J. Gilpin, manager of the New York Clearing House Association since 1917, has resigned because of ill health. Mr. Gilpin had been with the clearing house since 1877, beginning as a junior clerk, and advancing steadily to the post of assistant manager in 1892, and to manager upon the retirement of the late William Sherer.

Clarence E. Bacon, whose connection with the clearing house dates back to 1893, and

who has been assistant manager since 1917, succeeded Mr. Gilpin as manager.

**PROMOTIONS AT GUARANTY COMPANY**

R. E. Whittlesey, Alfred Shriver, B. Atterbury, and J. F. Patterson, all of whom have been with the Guaranty Company, New York, since its organization in 1920, and prior to that time were with the Guaranty Trust Company, New York, have been advanced from assistant vice-presidents to vice-presidents.

**YOUNGEST BANK DIRECTOR SUCCEEDS OLDEST**

Richard Edie, 3d, recently elected a director of the Westchester Trust Company, Yonkers, N. Y., claims the distinction of being the youngest bank director in the country. He is but 22 years of age, and is a student at Princeton University. He was elected to fill the place of Edson Lewis, former Mayor of Mount Vernon, the oldest

|                  |  |                  |
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| 1<br>8<br>1<br>2 |  | 1<br>9<br>2<br>6 |
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**The Pennsylvania Company**  
For Insurances on Lives and Granting Annuities

**Trust and Safe Deposit Company**

Packard Building  
S. E. Cor. 15th and Chestnut Streets  
Philadelphia

**Capital, Surplus and Undivided Profits - \$20,000,000**

|                                     |                                     |
|-------------------------------------|-------------------------------------|
| Member<br>Federal Reserve<br>System | Downtown Office<br>517 Chestnut St. |
|-------------------------------------|-------------------------------------|



## How the modern banking service extends the “service of protection” beyond the walls of the bank building

No **BANKER** likes to see one of his depositors suffer at the hands of the check-fraud artist. As you listen to such misfortunes, you wish it were possible to extend the visible means of protection you maintain within your bank, to the checks of your depositors while in circulation.

Yet many bankers have been able to extend this “service of protection” and thereby thwart the skill of the forger. They supply Super-Safety Checks and by this simple act have the assurance that they are doing the utmost to protect their customers’ checks “away from home.”

Super-Safety Checks are the safest and most beautiful checks supplied by banks today. They are designed to prevent alteration by knife, ink eradicator and rubber eraser. Any attempt at erasure brings a glaring white spot to the surface of the intricately tinted stock. Super-Safety Checks are never sold in blank



sheets—they are made only to your order. To prevent counterfeiting, each sheet of Super-Safety paper is guarded as the Government guards bank-note paper.

Your customers will realize that it is a business and social distinction to send out Super-Safety Checks. The colors

of these checks are pleasing—their designs beautifully executed. They have an authoritative “look” and “feel” and are easy to write on.

### *Nationally advertised*

If you are furnishing Super-Safety Checks you will appreciate the way our national advertising in *The Saturday Evening Post* and *The Literary Digest* is reminding your depositors of your interest in protecting their funds while in transit. In the event you are not supplying these checks, consider them carefully when our representative calls. Their low cost, in relation to their advantages, will surprise you. Your request for information or a representative will be promptly attended to. Bankers Supply Company, Division of The Todd Company, 5951 So. State Street, Chicago, Ill. *Sole manufacturers of Super-Safety Checks, Todd Greenbac Checks, and the Protectograph.*



*Super-Safety Checks come in several beautiful colors. They are often bound in rich, handsome Antique Moorish covers of several styles and sizes—designs convenient for personal and business use.*

director of the bank, who died recently at the age of 87.

#### CHANGES AT IRVING BANK

John C. Orcutt has been elected a vice-president of the Irving Bank-Columbia Trust Company, New York; Claude V. Allnutt has been advanced from assistant vice-president to vice-president; and Alfred D. Berry, Oliver C. Wagstaff, J. Whitney Richmond, Carl A. Miller and Stanley T. Wratten have been advanced from assistant secretaries to assistant vice-presidents.

#### MANUFACTURERS TRUST'S SECURITIES UNIT

The Manufacturers Trust Company, New York, has formed the Financial and Industrial Securities Corporation, New York, with Ralph Jonas as chairman of the board, to hold varying amounts of stock in banks and insurance companies. It is to have assets of over \$27,000,000, financed by the sale of \$15,000,000 of 7 per cent. preferred stock, each share carrying with it a stock purchase warrant for one share of Class A common stock.

#### CHARGE TO BE MADE FOR PLACING LOANS

Beginning March 1, 1926, members of the New York Clearing House Association ceased to loan money on call for their correspondents and customers free of charge. A charge of 5 per cent. of the interest received on such loans will be made by the members and non-members which clear through members, according to a new ruling of the association.

Such a charge has been felt to be justified for some time, because of the work involved in placing a call loan; checking and storing collateral, and making substitutions, but competitive conditions made it practically impossible for individual banks to impose the charge. Hence, united action was taken through the clearing house.

The newspaper comment accompanying the announcement says that the charge is not expected to reduce the amount of such loans appreciably. Perhaps not, at the present time when the profit on call money is large, but the charge increases the rate at which money must be invested in Wall Street funds to prove more profitable than home investment. It may have its share

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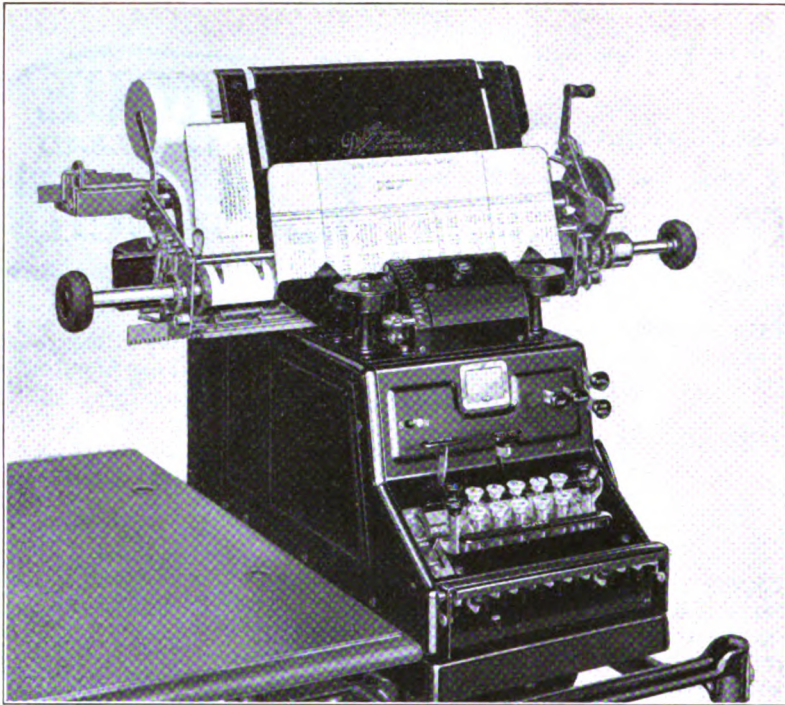
in the development of an acceptance market so desired by the Federal Reserve officials, by forcing the country banks, in their search for profitable short term investments to take some of their funds from the call money market and put them in acceptances.

#### NEW OFFICERS OF PRUDENCE COMPANY

George L. Harvey, E. M. Podynn, H. L. Simpson, F. T. Pender, and Vincent Rowan have been elected assistant vice-presidents of the Prudence Company, Inc., New York; August Harper has been elected treasurer; W. Allin Bigg, assistant treasurer; Charles A. Chase, secretary; and O. H. Keller, assistant secretary.

#### ANOTHER AMERICAN TRUST OFFICE

The American Trust Company, New York, is to have a new branch office on Staten



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It is a new bank bookkeeping machine so speedy that it does 25 or more per cent more work in a given time than the ordinary machine; so simple as to be instantly operable by anyone; so sturdily, yet simply, built that little mechanical service is ever needed to keep it in good condition. Further, it is a machine that checks its own work, that can, if the bank desires, even eliminate the

expensive "call-back" system; a machine that automatically prints overdrafts, including the date, in RED; a machine that.....

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## THE BANKERS MAGAZINE

Island. Property has already been secured, and plans are in preparation for the erection of a bank building which will house the new office, and the Staten Island branch of the New York Title and Mortgage Company, New York, which is affiliated with the American Trust. The opening of the new office will bring the American Trust Company's total of branches up to five.

### NATIONAL CITY-PEOPLES TRUST MERGER

The National City Bank of New York, has acquired control of, by purchase of capital stock, the Peoples Trust Company of Brooklyn, the largest and one of the oldest banks in Brooklyn. The merger will give the National City Bank eleven ad-



**CHARLES E. MITCHELL**  
President of the National City Bank, New  
York, which recently absorbed the  
Peoples Trust Company,  
Brooklyn, N. Y.

ditional branches in Greater New York, making its total number of branches eighteen in all. Seven of them are located in New York City proper. The combined resources after the merger will be, according to the latest statements of the two institutions \$1,291,000,000, with total deposits of \$989,430,000.

The price paid for the stock of the Peoples Trust is approximately \$835 per share. Final details of the merger are

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not yet available. No change in the personnel of the Peoples Trust is contemplated. The National City plans to create a Brooklyn advisory board, consisting of the present directors of the Peoples Trust Company.

In announcing the purchase of control, Charles L. Schenck, acting president of the Peoples Trust Company, said: "We believe that the identification of the Peoples Trust Company offices with the National City Bank will be of tremendous advantage to the residents of the districts which we serve, by placing at their immediate disposal the full facilities of a world-wide banking organization."

The National City Bank of New York is the largest bank in the country, and is one of the two "billion dollar banks," the other being the Chase National Bank, formed by the merger of the Mechanics and Metals National Bank with the present Chase National, reported elsewhere in this issue. The National City was organized in 1812, with a capital of \$2,000,000. Its capital at the present time is \$50,000,000

Hundreds of bankers said it couldn't be bettered — but Reed made it better.

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**P. M. REED**  
 & Banker Associates  
 TRIBUNE TOWER  CHICAGO

Since the Federal Reserve Act gave American banking institutions power to establish branches abroad, the National City has been a leader in the movement.

The Peoples Trust Company was founded in 1889, with a capital of \$500,000, and has expanded steadily, till, on January 15, 1926, it had ten branches in addition to its main office, and capital of \$2,000,000, with deposits of \$67,860,584, and surplus and undivided profits of \$5,135,748. The deposits of the National City, as of December 31, 1925, stood at \$921,573,498, which surplus amounted to \$50,000,000, and undivided profits totaled \$15,032,497.

### STOP PAYMENT DEVICE

Morton Waddell, trust officer of the Harriman National Bank, New York, has secured a patent on a stop-payment machine. When an order is received from a depositor to stop payment, the bank accepting the order assumes a certain responsibility, and all sorts of systems have been devised to accomplish this purpose, all, however, terminating in a single person, usually a bookkeeper, upon whose alertness the matter rests. The machine which Mr. Waddell has patented is designed to eliminate the human element of fallability in such matters.

It consists of a device to be attached to the ordinary posting or bookkeeping machine commonly used in banks. In the device are registered the dollar amounts of all stop-payments, and when such amounts are again listed, the machine will automatically light a bulb, ring a bell, or notify the operator by other means that such particular amount is in question.

According to Mr. Waddell, the operation of the machine in no way hinders or impedes the function of the posting machine. It merely announces the check when the amount is listed, and then all the book-



C. Addison Harris Jr., president Franklin Trust Company, Philadelphia, Pa., presenting a silver loving cup to R. W. Mercer, manager of the Germantown office of the bank. The Germantown office was victor in a recent branch office contest, in which over \$700,000 in new business was obtained

Established 1837

# ADRIAN H. MULLER & SON

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## STOCKS AND BONDS AT AUCTION

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keeper needs to do is to examine the check and see whether it is the one on which payment has been stopped. If not, the operator proceeds with his work, passing the check along with the others. Eventually, the machine will call attention to the check on which payment has been stopped—and that is its sole purpose.

### FEDERATION BANK TO CONVERT

The Federation Bank, New York, has decided to convert into a trust company, as the Federation Bank and Trust Company of New York, in order to enlarge the scope of its service. An advisory committee of 200 prominent citizens has been formed to assist in the conversion. The bank has had a remarkable growth since its organization by the American Federation of Labor in 1923. Its total assets now exceed \$15,000,000.

### NEW SAVINGS BANK ASSOCIATION SECRETARY

John W. Sandstedt has been advanced from acting secretary to secretary of the

National Association of Mutual Savings Banks. He is said to be the youngest secretary of any of the national associations, being only twenty-two.

He has been connected with this association since its organization in 1924, having been with the Savings Banks Association of the State of New York prior to that time.

Frederick O. Schubert, who recently came from the *Chilton-Class Journal Company* to the *Savings Bank Journal* as associate editor, has been elected assistant secretary of the Natamsa Publishing Company, publishers of the journal.

### FRENCH AMERICAN STATEMENT

The statement of condition of the French American Banking Corporation, New York, as of December 31, 1925, showed total assets of \$28,570,461. Cash on hand amounted to \$4,285,709, investments totaled \$8,816,093, and loans and discounts stood at \$2,559,633. Current accounts, both time and demand totaled \$12,412,320, and were almost equalled by acceptances and letters of credit, which stood at \$12,264,171.

### HARE AND CHASE STATEMENT

According to the statement of Hare & Chase, Inc., Philadelphia, Pa., for the eleven months ending November 30, 1925, earnings per share on the average outstanding common stock for the year 1925 amounted to \$4.45. The balance sheet as of that date shows total resources of \$29,604,447. In July, 1925, Hare & Chase purchased the Cromwell-Dodge Company, hence the capital on November 30, 1925 stood at \$5,000,000 as against \$2,200,000 on December 31, 1924. During this same period surplus increased from \$586,131 to \$970,460; reserves

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CHICAGO



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Vacations with pay for your employees are an investment in health and ambition. The investment will soon be lost unless a healthful atmosphere is maintained during the cold season.

Modern science demands ventilation with cool, fresh air. By the Gerdes Method of Ventilation healthful and invigorating *unheated* fresh air is diffused without causing draft or chill. A booklet fully describing this method and giving references of the highest character will be sent on request.

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increased from \$546,411 to \$884,424; and cash from \$2,189,480 to \$4,370,390.

### AMERICAN UNION IN NEW QUARTERS

The American Union Bank, New York, recently moved into its new quarters in the American Union Bank building, on Eighth avenue at Thirty-seventh street. The bank's statement, as of December 23, 1925, showed total resources of \$10,950,421, with loans and discounts of \$8,577,767, and deposits of \$8,451,566. The capital of the bank is \$1,500,000, and surplus and undivided profits amount to \$760,770.

### A MERGER IN BUFFALO

The Manufacturers and Traders Trust Company, Buffalo, N. Y., formed from the consolidation of the former Fidelity Trust Company of that city with the Manufacturers Traders National Bank, as reported in these columns in January, has absorbed the Central Park Bank, and will operate it as its ninth branch. Charles A. Freiberg, president of the Central Park Bank, and other executives thereof will form an ad-

visory committee for the institution. R. P. Hummell, who has been vice-president and cashier, will act as manager of the branch.

### APPOINTMENT AT PENNSYLVANIA TRUST

Clifford E. Geeting has been appointed auditor of the Pennsylvania Trust Company of Pittsburgh, Pa.

### PHILADELPHIA GIRARD NATIONAL BANK

The merger movement seems to be nationwide. Following close on the heels of the mergers in New York, Buffalo, and Richmond, comes the announcement that the Philadelphia National Bank, Philadelphia, Pa., and the Girard National Bank of that city propose to consolidate as the Philadelphia Girard National Bank. The capital of the consolidated institution will be \$8,000,000; the surplus and undivided profits \$19,600,000; and the aggregate resources will be larger than those of any other bank in the State of Pennsylvania. According to the reports of the two banks as of December 31, 1925, the combined deposits



***“Such rapid growth—”***

Said the president of one of our correspondent banks in the Middle West, upon noting that the Union Trust Company had more than doubled its deposits in the last seven years, “proves again how quickly American business recognizes any effort to be of genuine and helpful service.”

We invite inquiries regarding the constructive help this Bank extends to institutions requiring a Chicago correspondent.

1869



1926

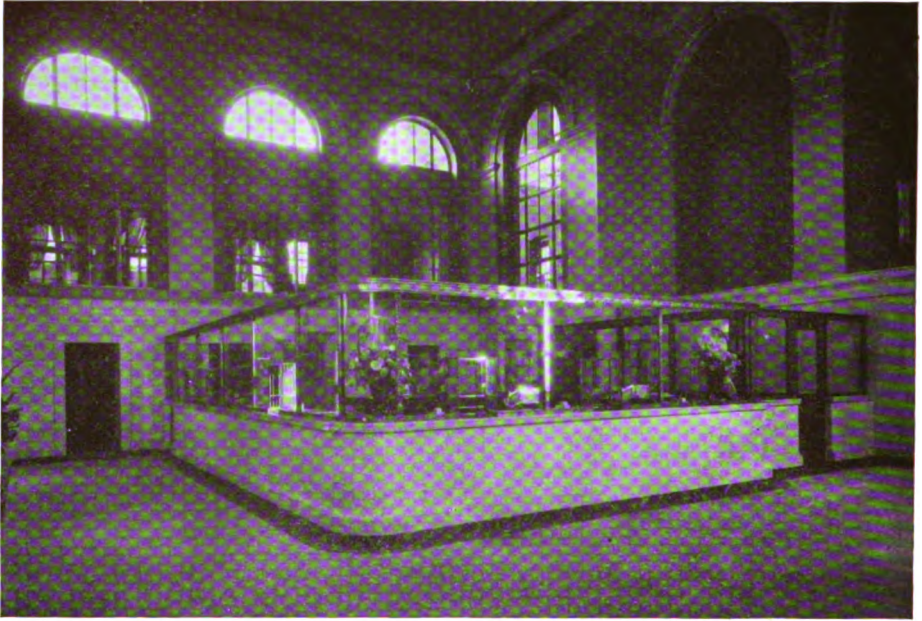
FREDERICK H. RAWSON  
*Chairman of the Board*

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*President*

CRAIG B. HAZLEWOOD  
*Vice-President*

**UNION TRUST  
COMPANY  
CHICAGO**

*Complete Wire Service—Direct B/L and Collection Facilities*



Interior of Bristol Savings Bank, Bristol, Conn.

An excellent example of an interior arrangement for a Savings Bank, incorporating among its features a modified "island plan."

Travertine Stone has been employed as flooring for the Public Space as well as for the wainscoting about the entire banking room, while the counter-screen of the same stone is surmounted by handsomely ornamented bronze.

In the rear a spacious mezzanine accommodates a tastefully appointed Directors' Room.

The Griswold Building Company, Inc.

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will amount to approximately \$200,000,000, and the total assets will aggregate something around \$250,000,000.

The Philadelphia National was organized in 1803, and the Girard National in 1832. They are two of the largest and most influential banks in the City of Philadelphia, and their consolidation will add to the financial prestige of the city and state, and will assure greater banking facilities to the commercial, manufacturing, and business interests.

The board of directors of the consolidated bank will include all the members of both boards and most of the executive personnel of both banks will be retained, to insure the continuity of existing policies and service.

Levi L. Rue, president of the Philadelphia National Bank will be chairman of the board and chairman of the executive committee, while Joseph Wayne, Jr., president of the Girard National Bank, will be president and chief executive officer of the new bank.

It is expected that the merger will be effective April 1.

**PITTSBURGH CLEARING HOUSE OFFICERS**

R. B. Mellon, president Mellon National Bank, Pittsburgh, Pa., has been elected president of the Pittsburgh Clearing House Association for the current year. James C. Chaplin, president of the Colonial Trust Company, has been elected vice-president of the association; and W. W. McCandless has been elected secretary and treasurer. Mr. McCandless, who has been the executive officer of the association for many years, has been granted a three months' leave of absence, with a purse for expenses, to recover from an illness which has incapacitated him for some time.

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**A MERGER IN CAMDEN**

In Camden, N. J., the East End Trust Company, the Broadway Trust Company, and the Merchants' Trust Company have completed arrangements to merge, but each will retain its individual identity, continuing business in its present quarters, the only change being in the personnel of the directorates, according to the report. The combined assets of the three banks amount to \$15,000,000, combined deposits totaling \$13,500,000, and combined capital, surplus, and undivided profits amounting to about \$2,000,000.

**New England States**

*Comprising Maine, New Hampshire, Vermont, Massachusetts, Connecticut, and Rhode Island.*

**CONVENTION DATE**

New England Bankers Associations—  
at New London, Conn., June 18-19.

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TRIBUNE TOWER CHICAGO

## PROVIDENCE-MERCHANTS MERGER

The directors of the Merchants National Bank, Providence, R. I., and the Providence National Bank, of the same city, have voted to merge under the name of the Providence National Bank. The new institution will have a capital of \$1,500,000, a surplus of \$2,500,000 and undivided profits of approximately \$380,000, making a combined total of capital, surplus, and undivided profits of approximately \$4,380,000. It is understood that the new institution will occupy the present site of the Merchants National Bank at 20 Westminster street.

The consolidation is opposed by only one member of the board of directors of the Providence National Bank, William Gammell, "for personal reasons" because "the control of the Providence National Bank has been for several generations in the hands of the Brown and Ives family." Mr. Gammell's views have been included in the notice recommending the merger which was sent to the stockholders. If the merger is ratified by the stockholders, the board of



CHARLES PERRY

President of the Washington Trust Company, Westerly, R. I., for forty-five years. Before him, his father, the late Charles Perry, had served as president for fifty-five years. Thomas Perry, father of the late Charles Perry, was elected cashier of the bank in 1806. The bank has, thus, been in Perry hands for 120 years—an unusual record.

## Bank of Charleston

National Banking Association

Charleston, S. C.

Established 1834

The Bank of Charleston succeeded to business of liquidating branch Bank of the United States.

Capital and Surplus . . . \$1,500,000.00  
Resources . . . \$12,500,000.00

the new bank will include all of the members of both of the merging banks.

Both of the banks have unusually long records of service behind them, the Providence National having been established in 1791 (though it is not, as stated in the newspaper account the oldest bank in the country, the Bank of New York and Trust Company, New York, and the Bank of North America and Trust Company, Philadelphia, both being older) and the Merchants National having been established in 1818.

### ELECTIONS AT NATIONAL SHAWMUT

Frederick P. Royce, vice-president of Stone & Webster, Inc., has been elected a member of the board of directors of the National Shawmut Bank, Boston. James E. Ryder has been elected vice-president and cashier; Leon H. White has been elected vice-president; Stanley P. Wyatt, secretary to the board; John P. Dyer and William J. Fortune, assistant vice-presidents; and F. G. Ellison and E. T. Walker, assistant cashiers.

### MALDEN BANK INCREASES STAFF

The directors of the First National Bank, Malden, Mass., have decided to increase the number of vice-presidents of the bank from one to three. Frank A. Bayard and Ernest L. Chandler were chosen for the new positions.

### QUIST JOINS OLD COLONY

Albert J. Quist has been appointed manager of the municipal department of the New York office of the Old Colony Corporation of Boston.



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The Banker's Bank of the  
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5000 Correspondents in  
all parts of the world.



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In St. Louis

COMMERCIAL BANK

### Southern States

*Comprising the District of Columbia, Maryland, Virginia, West Virginia, North Carolina, South Carolina, Georgia, Florida, Alabama, Mississippi, Louisiana, Texas, Arkansas, Kentucky, and Tennessee.*

#### STATE CONVENTIONS

- Louisiana—at Monroe, April 14-15.
- Florida—at Jacksonville, April 23-24.
- Arkansas—at Hot Springs, April 27-28.
- North Carolina—at Durham, May 6-8.
- Mississippi—at Biloxi, May 11-12.
- Tennessee—at Knoxville, May 13-14.
- Georgia—at Columbus, May 17-19.
- Alabama—at Montgomery, May 20-22.
- Texas—at Galveston, May 25-27.
- Virginia—at Roanoke, June 17-19.

#### OTHER CONVENTIONS

- Country Bankers of Georgia—at Atlanta, April 14-16.
- Reserve City Bankers—at Atlanta, Ga., April 28-30.
- National Foreign Trade Council—at Charleston, S. C., April 28-30.
- A. B. A. (spring meeting of Executive Council)—at Pinehurst, N. C., May 3-6.
- A. I. B.—at Dallas, Texas, July 12-17.

### STATE BANKERS' RESOLUTIONS

At the recent meeting of the Executive Committee of the State Bank Division of the A. B. A., in New Orleans, La., resolutions were passed urging members to support the McFadden Bill (H.R. 2); endorsing "any plan that will work out a greater stabilization of prices for agricultural products in harmony with sound economic principles;" and endorsing the idea that all banks should maintain credit files containing financial statements and other information concerning borrowers who have a line of credit of \$500 or more.

### NASHVILLE CLEARING HOUSE OFFICERS

C. H. Wetterau, assistant vice-president of the American National Bank, Nashville, Tenn., has been elected president of the Nashville Clearing House Association for the ensuing year; D. Y. Proctor, of the Broadway National Bank, has been elected vice-president; and Lawrence King, manager.

The executive committee for the year includes A. E. Potter, president Broadway National Bank; V. J. Alexander, vice-president American National Bank; and

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**Constant war on waste**  
**Products of first quality**  
**Uninterrupted dividends**  
**Stability of earnings**  
**Small profits per pound**  
**on large volume**



The life history of Swift & Company's operations is thus briefly summarized.

The chemical laboratory and the constant search for improved methods have reduced waste to a minimum. They have also enabled us to improve greatly the quality of your meat.

Thrift and conservative policies have made it possible to pay dividends without interruption for 40 years, although our profits have averaged only a fraction of a cent per pound of product.

Swift & Company thrift has benefited others beside Swift shareholders. A portion of the gains resulting from thrift is passed along to the producers of live stock and to the consumers of meat. Competition sees to that.

## Swift & Company

142-C

Harry Williamson, cashier Fourth and First National Bank.

Clearings for 1925 showed an increase of only 9 per cent. over those for 1924.

### BANK TO TEACH FARMERS TOBACCO GROWING

It seems to be coming to be regarded as a part of a country bank's duty to provide instruction and help in farming methods for its patrons. There are cotton contests, corn contests, corn shows, and agricultural advice services, all run by country banks. The most recent announcement of this type of service comes from Aberdeen, N. C., where the Page Trust Company is planning to instruct the farmers of that district in growing tobacco.

Archie Tapp, a tobacco planter whose crop each year makes a bigger acreage yield and brings a bigger price on the market than the crop of any other man in the vicinity, has been hired by the bank to tell the other planters how he does it. He has laid out a complete plan, beginning with the proper seed. He believes "cash" tobacco is best adapted for that section. Accordingly, the bank will furnish free seed

of this variety to all the tobacco farmers who will plant it.

Mr. Tapp plans to help the farmers with their plant beds, to demonstrate how to prepare the ground for setting out the plants; and to assist them in getting the crop under way, harvesting it, curing it, and grading it for market. Thus it is expected that the crop from the Aberdeen region can be raised from 1,500,000 pounds to 5,000,000 or 6,000,000 pounds, adding \$1,000,000 annually to the income of the farmers, some of which income will pass through the Page Trust Company.

### LIQUIDATING AGENT IN TEXAS

Charles O. Austin, Commissioner of Banking of the State of Texas, has appointed Charles B. Watters of San Antonio, as special liquidating agent for defunct state banks. There are 110 state banks in process of liquidation, some of which have been "liquidating" for the past ten years. It requires the services of forty other liquidating agents to carry on the work. The "special" liquidating agent will travel from one liquidating bank to another, to see just what progress is being made.

# GENERAL MOTORS ACCEPTANCE CORPORATION

*Executive Offices:*

250 West 57th Street, New York City

**T**HE obligations of this institution are selected as appropriate and sound mediums for short term investment by a large banking clientele. They may be obtained in convenient denominations and suitable maturities.

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*Chairman, General Motors Corporation and E. I. duPont de Nemours & Co.*

**Lammot duPont**

*Finance Committee, General Motors Corporation.*

**O. H. P. LaFarge**

*General Motors Corporation*

**Seward Prosser**

*Chairman, Bankers Trust Company, New York*

**John J. Raskob**

*Chairman, Finance Committee, General Motors Corporation*

**Alfred P. Sloan, Jr.**

*President, General Motors Corporation*

**John J. Schumann, Jr.**

*Vice President*

**Donald M. Spaidal**

*Vice President*

## CITY NATIONAL OF MIAMI OPENS

The City National Bank of Miami, Fla., whose organization with Clark B. Davis, formerly assistant vice-president of the Bank of America, New York, as president, was noted in these columns in November 1925, was formally opened on February 17, 1926. The total deposits on the opening day amounted to \$2,125,000, and are increasing rapidly.

In addition to Mr. Davis as president, the administrative personnel of the new bank will include S. M. Tatum as chairman of the board, Ralph H. Buss as vice-president, Harry Roberts as assistant vice-president, L. J. Griffin as cashier, and Morgan McCormick.

Mr. Tatum located in Miami twenty-four years ago, and is best known as the head of Tatum Brothers Company, developers of real estate. He is also president of the Dade County Title Insurance and Trust Company, and the Florida Title Company of Miami, and is identified as an executive and director with more than a score of corporations.

Mr. Buss was born in Deadwood, S. D., and has been in banking for about twenty years. He was an official of the Farmers and Merchants National Bank, Fremont, Neb., for seven years, severing his con-

nection there in 1917. From 1920 to the present he had charge of loans at the Federal Reserve Bank of Chicago. In 1921 he was advisor to the board of directors of the War Finance Corporation in Washington. When he left Chicago in February, he was a member of the executive committee of the Federal Reserve Bank there.

Mr. Roberts was born in Balaklava, South Australia, and came to the United States in 1904. He was educated at Transylvania University, Lexington, Ky., graduating with the class of 1909. His early training in banking was gained in his six years with the Phoenix National Bank and Trust Company, Lexington, Ky., from which he resigned to become comptroller of the Metropolitan Trust Company, New York, which was later merged with the Chatham-Phoenix National Bank and Trust Company, New York.

Mr. McCormick is new to banking, although he has had experience in the administering of a trust estate in Kentucky. He is a member of the McCormick family which is so well known in connection with harvesters. He was for eleven years in the hardware and implement business in Kentucky, and served four years as president of the Canoe Creek Coal Company.





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BOOK DEPARTMENT

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### THE WHY OF THE FLORIDA BOOM

C. W. Barron has hit on an interesting, if unconvincing explanation of the cause of the Florida boom. In a series of articles "Florida Flowers and Finance" in the *Wall Street Journal*, Mr. Barron says that there was so much money in the country that there had to be a boom of some sort, but the Federal Reserve Banks blocked a Wall Street boom, high prices blocked a building boom, hence, searching for something to boom, the country hit on Florida land. He says—but here is the explanation in his own words:

"Every great world building has been preceded by a great movement affecting credit. Following the 1545 discovery of the mountain of silver at San Louis Potosi in South America, Europe was remade.

"The tremendous development of the North American continent began with the outpouring of gold from California and Australia in 1849 to 1853. The next jump forward in the United States was from the Civil War inflation period.

"The South African gold output and the cyanide process to enlarge the gold recovery lifted the world forward around 1900. Then

came a world remaking from the World War, and in this the winner of the war was not Great Britain, France or the American armies.

"It was the Federal Reserve Act enabling the United States to maintain the gold parity for all the fighting allies, loan them \$7,000,000,000 during the war and \$3,000,000,000 afterward, and to put in \$30,000,000,000 more from the U. S. Treasury.

"The Federal Reserve Act holds the greatest possibility of inflation the world has ever seen. It surpasses in boom potentiality the South American discovery of silver and the California gold output. It immediately doubled the effectiveness of the nearly \$2,000,000,000 gold under the banking and credit system of the United States before the World War.

"It has today the same effect upon our \$4,500,000,000 gold—one-half the money gold of the world.

"The potentiality of this gold and Federal Reserve Act has alarmed the bankers, the Washington authorities, and the Federal Reserve governors. It has meant, since the war, a possibility of credit expansion by \$200,000,000,000, or more than the World



# when your *mortgage* expires

*Look ahead five years before you loan money on a house today*

Every year it is becoming more difficult to dispose of ordinary uninsulated houses. Building authorities agree that the practice of building such houses is coming to an end. Nobody wants to live in such a house. Nobody wants to buy or rent one.

Celotex Insulating Lumber has made it *practical* to build homes winter-warm, summer-cool, strong and quiet.

Used in outside walls as sheathing, replacing wood lumber; and on inside walls under plaster, replacing lath; Celotex gives these great advantages at little or no extra building cost.

Celotex is stronger in wall sections than wood lumber. It is the only effective insulating material which provides this greater strength and is not an extra item in the building. Homes built this way are better collateral than any ordinary house. They cost less for upkeep—require about  $\frac{1}{3}$  less fuel to heat—suffer less depreciation—and sell or rent readily and for a good price.

The Celotex Company produces more insulation for general building purposes than all other insulation manufacturers combined. Its output has grown from 12,000,000 feet in 1921 to over 200,000,000 feet for 1926.

Ask your architect, contractor or lumber dealer to tell you more about Celotex. Have your secretary write for a copy of the Celotex Building Book. It explains house insulation fully.

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For information regarding hotels, apartments, homes, business opportunities, in Winter or Summer, address

CHAMBER OF COMMERCE  
Miami Beach - - - Florida

War cost all the nations up to the Armistice date.

"Every precaution has been taken to prevent a Wall Street speculation based upon this gold, and a Federal Reserve Act abolishing the 25 per cent. bank reserves and putting us below the English base of a 7 per cent. gold reserve banking and credit.

"While everybody was co-operating to prevent an outburst of speculation in Wall Street, the country did the unexpected; took a slant toward Florida and jumped that state into a land boom unmatched in the history of the world.

"It was so sudden and so unlooked for that the measurement of it has not yet been taken by the country as a whole.

"High prices for labor in the building trades have prevented a building boom, and land speculation, in the North. Southern California has been recovering from its series of land booms, which were more local than national; and there was too much land in the Southwest for concentrated development.

"But Florida, with its winter climate, its keys and islands, lakes, hills and rivers, its wonderful coast lines, its varied tropical products, its nearness to the wealth of the North and many other factors, became a magnified magnet to attract the speculative spirit of the country when shunted out of Wall Street.

"The Federal Reserve governors and their co-operating bankers have been keeping sharp eyes on Wall Street. Railroad labor unions have been threatening still further advances in their already extravagant wages and have held back railroad share speculation. But Florida has been a wide-open speculative field North to South, East to West. It has been for many months and some years, with various forms of advertising, inviting the capital and people of the North. Its bid for wealth of the nation with legislation abolishing, by constitutional amendment, all inheritance taxes.

"In New York, the governors of the stock exchange are restricting the carrying capacity of brokerage houses so that there will be relation between a broker's capital and his liabilities. They have forced enlargement of the customers' margins so that it is really cheaper for people carrying stocks to borrow of the banks.

"Less margin is now required to speculate in Florida land than to buy stocks in Wall Street. 'Puts' and 'calls' on shares are out of date as compared with 'binders' on Florida real estate.

"A 'binder' is but a small fraction of the purchase price and holds the land under option. It is often transferred several times at sharp advances before a rival buyer appears.

"'Binder' profits may be multiplied in a week or a day. In a time of land excitement there is no speculation in stocks that can equal 'binder' profits.

Even the best bank advertising can be made better.

— Send for and see Reed's Mass-color Plan for '26.

P. M. REED  
& Banker Associates

TRIBUNE TOWER



CHICAGO

"The great speculation in south Florida which culminated in September and October covered a period of no more than six months; but it has had and will have far-reaching effects, both good and ill."



## Middle States

*Comprising Ohio, Indiana, Illinois, Michigan, Wisconsin, Minnesota, Iowa and Missouri.*

### CONVENTION DATES

Illinois Bankers Association—at Springfield, June 16-17.

Iowa Bankers Association—at Sioux City, June 21-23.

Financial Advertisers' Association—at Detroit, Mich., September 21-23.

### CHANGES AT UNION TRUST

Paul L. Hardesty, assistant cashier and manager of the advertising and publicity



**PAUL L. HARDESTY**

Assistant cashier Union Trust Company, Chicago, formerly manager of the advertising and publicity department, who has been advanced to new work in the commercial banking department

department of the Union Trust Company, Chicago, has been advanced to new work in the commercial banking department. He

entered the employ of the Union Trust Company five years ago, soon after his discharge as an officer of the Naval Reserve Corps in the World War, and has advanced through various positions to membership on the official staff in 1923, and to an assistant cashiership in May 1925. He is a director of the Financial Advertisers' Association, and is chairman of the Financial Department of the Advertising Council of the Chicago Association of Commerce.

Herbert V. Prochnow, who has been acting as assistant manager for the past three years, has succeeded Mr. Hardesty as manager. Before coming to the Union Trust Company, he was assistant professor of business administration at the University of Indiana. He is a graduate of the University of Wisconsin.

### CONTINENTAL AND COMMERCIAL INCREASES SURPLUS

The Continental and Commercial National Bank, Chicago, has transferred \$5,000,000 from undivided profits account to surplus. After the transfer, the capitalization of the company stands as follows: capital \$25,000,000, surplus \$20,000,000, and undivided profits, over \$2,000,000.

### PROMOTIONS AT CLEVELAND TRUST

H. H. Allyn has been advanced from trust officer to vice-president in the trust estates department of the Cleveland Trust Company, Cleveland, O. H. S. Yenne and Edward B. Roberts have been promoted from assistant trust officers to trust officers, and William S. Goff, son of the late president of the bank, Fred H. Goff, has been elected an assistant treasurer.

President Harris Creech, in his annual report, said that 1925 was one of the most successful years in the history of the company, with a gain of \$12,567,888 in deposits.

### MISS HOAGLAND STARTS BUSINESS OF OWN

Jessamine G. Hoagland has resigned as manager of the savings department of the National Bank of the Republic, Chicago, and has opened offices as advertising counsel, to handle the advertising campaigns of banks and investment houses and to design and install window displays.

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the world.

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Miss Hoagland was for many years an officer of the National City Bank, Chicago, in charge of advertising, new business and the savings department, and has been manager of the savings department and in charge of window displays of the National Bank of the Republic since the merger of those two institutions about a year ago.

She claims to be the first to use window displays in financial business houses in Chicago. She was a charter member of the Financial Advertisers' Association, and served as a director for many years. In 1921-22 she served as president of the Women's Advertising Club of Chicago, and as a director of the Associated Advertising Clubs of the World. She has acted for several years as secretary-treasurer of the Savings Association of Loop Banks in Chicago.

### HAZLEWOOD NOMINATED

According to the custom established at the Chicago convention of the A. B. A. seven years ago, whereby the presidency

goes alternately to representatives of the various divisions of the association, the second vice-president to be elected this year will be a representative of the State Bank Division. Craig B. Hazlewood, vice-president Union Trust Company, Chicago, has been selected by the executive committee of that division as the logical candidate.

Mr. Hazlewood has contributed substantially to the constructive financial and commercial development of the country, lately leading in the movement for the establishment of clearing house associations throughout the country. He was one of the organizers of the State Bank Division, and is an ex-president of it as well as of the Bankers Club of Chicago, and the Association of Reserve City Bankers.

### HAWES HEADS MANAGEMENT COMMITTEE

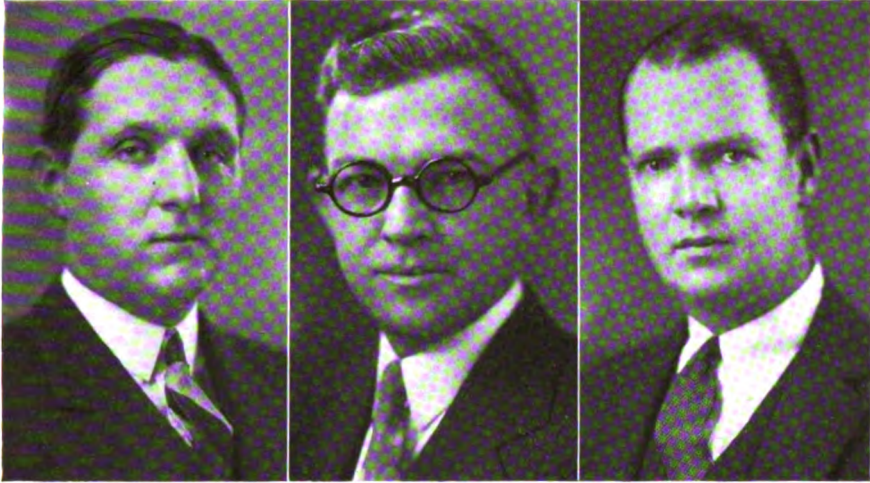
Richard S. Hawes, vice-president First National Bank in St. Louis has been made chairman of the St. Louis Clearing House



**RICHARD S. HAWES**

Vice-president First National Bank in St. Louis, recently elected chairman of the St. Louis Clearing House Committee of Management

Committee of Management. Other members of the committee are: George E. Hoffman, president Merchants Laclede National Bank, H. H. Hopkins, president American Trust



Dan W. Jones, James A. Weaver, and J. Gates Williams, recently elected vice-presidents  
Mississippi Valley Trust Company, St. Louis, Mo.

Company; A. C. F. Meuer, president Lafayette South Side Bank; and E. B. Pryor, president State National Bank.

R. R. Tillay continues as secretary and manager of the clearing house.

#### LONSDALE'S LATEST APPOINTMENT

John G. Lonsdale, president National Bank of Commerce in St. Louis, has been appointed chairman of a committee of St. Louis business men to look after the interests of that city in railroad consolidations. The committee was appointed following the announcement of the Frisco's purchase of control of the Rock Island. The purpose of the appointment of the committee is to assure St. Louis a position on a reasonable parity with Chicago, in the consolidations.

#### NEW OFFICERS FOR MISSISSIPPI VALLEY TRUST

James A. Weaver, Dan W. Jones, and J. Gates Williams have been elected vice-presidents of the Mississippi Valley Trust Company, St. Louis, Mo., and Edgar L. Roy has been elected assistant bond officer. Each of the new vice-presidents was formerly an assistant secretary.

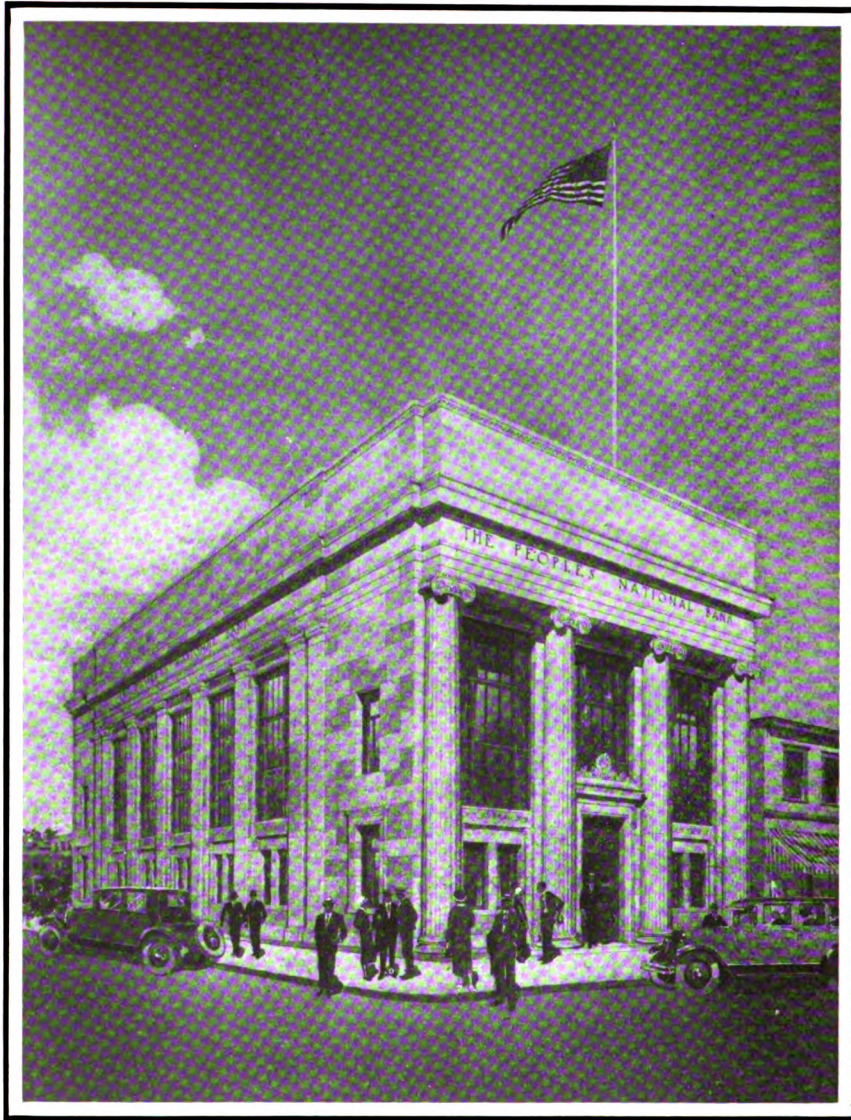
Mr. Weaver has worked his way from the bottom of the ladder, the Mississippi Valley Trust Company being practically his only workshop. Before he was twenty

he came to St. Louis from Hannibal, Mo., to attend business college. He entered the trust company as a junior clerk, his duties consisting of balancing pass books and assisting the bookkeepers. He gradually advanced to positions of more responsibility, finally becoming chief clerk. In 1918, he was made an assistant secretary in charge of the banking department.

Mr. Jones is a son of Breckinridge Jones, chairman of the board, and has been with the bank since his graduation from Center College in 1914. During the war he served as an ensign in the navy. Upon returning to the bank, he worked in various departments until his election as assistant secretary in 1920.

J. Gates Williams is a son of the late Eugene F. Williams, one of the founders of the Hamilton Brown Shoe Company and a director of the Mississippi Valley Trust Company. He is named for John W. Gates, the steel magnate, who was his father's most intimate business associate. Mr. Williams was graduated from Princeton University in 1918, and subsequently was graduated from the Harvard Law School. He also served as an ensign in the navy during the war. He entered the Mississippi Valley Trust Company in 1922, and served in various departments until his election as assistant secretary, in the new business department, in 1925.

Mr. Roy, the new assistant bond officer, is a graduate of the St. Louis University



*From the Drawing*

PEOPLES NATIONAL BANK AND TRUST COMPANY,  
LYNBROOK, NEW YORK



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ARCHITECTS AND ENGINEERS

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NEW YORK

School of Commerce and Finance. In 1919, he entered the bank as a bond salesman, and was later made sales manager. He will continue in charge of the sales division of the bond department.

**A. B. A. MEMBERSHIP PROTECTS AGAINST BANDITS**

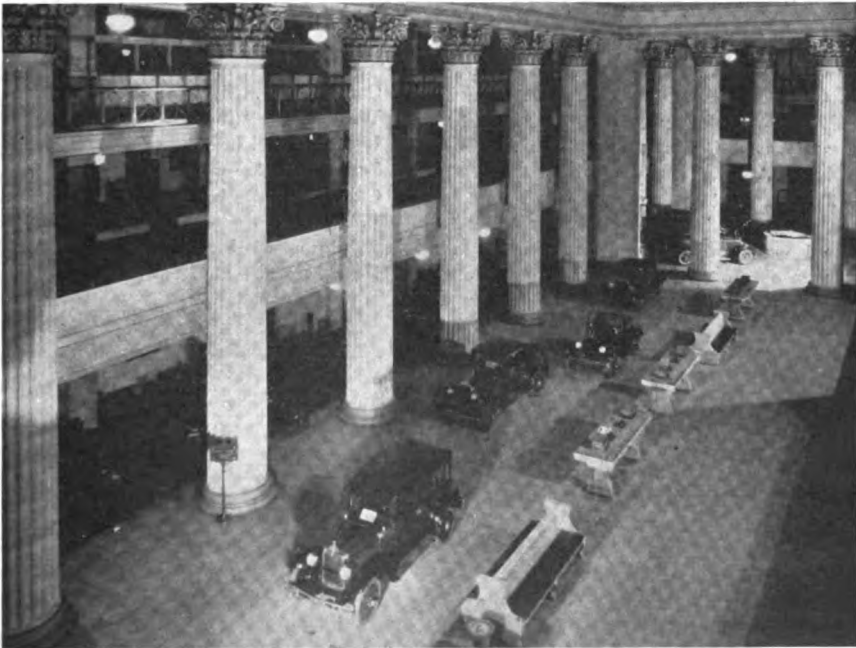
James E. Baum, deputy manager in charge of the protective activities of the A. B. A., reported at the recent meeting of the Administrative Council in St. Louis, that while crimes of violence against business in general has been increasing, the number of attacks against members of the association has been decreasing. This is clearly shown in the following table:

| Year          | Members<br>(complete) |                    | Non-members<br>(incomplete) |                    |
|---------------|-----------------------|--------------------|-----------------------------|--------------------|
|               | Crimes                | Losses             | Crimes                      | Losses             |
| 1921          | 263                   | \$ 895,377         | 83                          | \$ 329,120         |
| 1922          | 234                   | 531,338            | 172                         | 623,632            |
| 1923          | 181                   | 444,385            | 98                          | 191,948            |
| 1924          | 225                   | 960,332            | 115                         | 378,652            |
| 1925          | 201                   | 1,005,707          | 122                         | 915,463            |
| <b>Totals</b> | <b>1104</b>           | <b>\$3,837,139</b> | <b>600</b>                  | <b>\$2,438,815</b> |

“The significance of these figures,” said

Mr. Baum, “is that whereas there are three times as many member as non-member banks, the number of attacks on the members was less than twice on non-members, considering the totals for the five year period. Also, while non-member banks are about 32 per cent. of member banks, their total losses are over 63 per cent. of those suffered by member banks. Over the five year period, the general trend in the number of attacks on members has been downward, while for non-members the trend has been upward.”

However, in spite of this favorable trend where member banks are concerned, the increasing menace to the lives and property of bank customers, led Mr. Baum to propose, as a remedial measure a law providing punishment “by imprisonment of not less than twenty-five years nor more than forty years,” for all crimes of “burglary with explosives, electricity, gas and other means.” Drastic regulation of the manufacture and distribution of fire-arms by Federal and State governments was also recommended.



No, this is not an automobile show - it is the lobby of the Union Trust Company, Cleveland, during the week that the Cleveland Automobile Show was being held at the public auditorium. Automobile dealers who were customers of the bank were invited to display new models in the bank lobby. The picture shows the exhibit before the bank opened in the morning



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If you want to buy your Christmas Club supplies at the lowest possible prices send for an Estimate Blank so we can bid on your requirements.

*We can save you money*

## OUTCAULT ADVERTISING COMPANY

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### A. B. A. EDUCATIONAL FOUNDATION TRUSTEES

John H. Puelicher, president of the Marshall and Isley Bank, Milwaukee, Wis., has been appointed chairman of the board of trustees of the A. B. A. Educational Foundation for which \$500,000 was pledged at the annual convention at Atlantic City last year. The other members of the board are: Col. Leonard P. Ayres, vice-president Cleveland Trust Company, Cleveland, O.; Dr. Stephen I. Miller, educational director of the A. I. B., New York; Lewis E. Pierson, chairman of the board Irving Bank-Columbia Trust Company, New York; George E. Roberts, vice-president National City Bank, New York; Francis H. Sisson, vice-president Guaranty Trust Company, New York; and Evans Woollen, president Fletcher Savings and Trust Company, Indianapolis, Ind. W. Espey Albig, deputy manager A. B. A., will act as secretary.

Mr. Puelicher has been active in the educational work of bankers for many years. He was one of the original founders of the A. I. B., was at one time chairman of the Milwaukee School Board, and is a trustee of Marquette University Medical School and Milwaukee-Downer College.

### A BANK ON WHEELS

The Rising Sun State Bank, Rising Sun, Ind., has struck upon an effective way of getting business from the farmers in its territory. Its representative, who is employed primarily as a farm club leader and as assistant county agent, is authorized to accept deposits for the bank, gather credit information for its use, and negotiate small loans. Thus, he is, in effect, a "bank on wheels." The bank has been using this plan for about two years, and President

Lucian Harris says that it is "valuable to the bank in many ways. It gets deposits and affords the loan department valuable information."



## Western and Pacific States

*Comprising North Dakota, South Dakota, Nebraska, Kansas, Montana, Wyoming, Colorado, New Mexico, Oklahoma, Washington, Oregon, California, Idaho, Utah, Nevada, Arizona, and Alaska.*

### STATE CONVENTIONS

California—at Del Monte, May 26-29.  
Washington—at Walla Walla, June 8-10.  
Utah—at Richfield, June 11-12.  
South Dakota—at Watertown, June 15-16.  
Colorado—at Glenwood Springs, June 25-26.  
Montana—at Butte, July 15-17.  
New Mexico—at Roswell, October 22-23.

### A. B. A. CONVENTION

At Los Angeles, October 4-6.

### STEVENS HEADS OGDEN CLEARING HOUSE

Frank J. Stevens, president of the Commercial Security Bank, Ogden, Utah, has been elected president of the Ogden Clearing House Association for the ensuing year. M. S. Eccles, president First Utah National Bank, was elected vice-president; and Harmon B. Barton, cashier National Bank of Commerce, secretary-treasurer. The executive committee of the association will consist of Mr. Stevens, A. P. Bigelow, president Ogden State Bank, and Mr. Eccles.

NEWTON SUCCEEDS PERRIN

I. B. Newton, for many years a director of the Farmers and Merchants National Bank, Los Angeles, Calif., has been appointed chairman of the board of the Federal Reserve Bank of San Francisco, to succeed John Perrin, who has resigned after ten years of service.

Mr. Newton was graduated from Yale University in 1884 and came to Los Angeles, appearing in banking circles about 1919, with the California Bank. He was later connected with the American National Bank, and the Farmers and Merchants National, where he has been chairman of the loan committee for the last ten years. He has been a director of the Federal Reserve branch in Los Angeles for six years, and has been chairman. He is also an active vice-president of Harper & Reynolds Co., local jobbers.

LOS ANGELES BANK STOCKS

Arthur L. Brewer, manager of the service department of Banks, Huntley & Co., investment bankers, Los Angeles, Calif., has made an analysis of fifteen Los Angeles bank stocks during the year 1925. All of them advanced during the year, the stock of the Bank of Italy nearly doubling in price, moving up \$200 a share. The Bank of America, 97 per cent. of the stock of which is owned by the Americommercial Corporation, gained \$65. Hellman Commercial Trust and Savings Bank rose \$62 per share; Citizens National, \$59; Farmers and Merchants National, \$50; and Union Bank and Trust Company, \$33. First National-Pacific Southwest beneficial certificates rose \$22, and Security Trust and Savings Bank shares advanced \$70. The average advance per share of the fifteen stocks analyzed was about \$41 per share. This upward trend, though it has been interrupted, has been going on fairly steadily since 1919. Mr. Brewer estimates that the average earnings of these banks in 1925 were \$19.20 per share, or about 7 per cent. on the present average market price.

The total capital of these fifteen banks is now \$60,650,000, and their total deposits, which stand \$977,534,025, gained about 8 per cent. in 1925. The ratio of total deposits to total capital, surplus, and undivided profits stands at 1101 per cent. against 991 per cent. a year ago.

ONE BANK COVERS THE LOS ANGELES METROPOLITAN DISTRICT



This circle, with a radius of 20 miles embraces the Los Angeles Metropolitan District. The area shown in this circle covers the greatest percentage wealth, the most continuous prosperity and the most rapid growth in California.

STARS INDICATE BRANCHES OF

**SECURITY TRUST & SAVINGS BANK**

Your patrons and friends visiting California will be extended every courtesy and consideration at any of these branches of the Security Bank if they bear a letter of introduction from you.

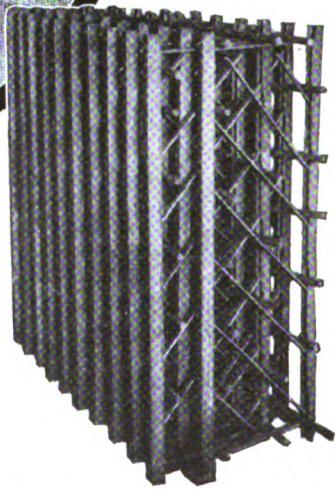
**RESOURCES EXCEED \$200,000,000  
OVER 285,000 DEPOSITORS  
CAPITAL & SURPLUS \$11,075,000**

Ask our Department of Research and Service for any desired information regarding business conditions in this region.



FEDERAL RESERVE BANK,  
San Francisco, Calif.

G. W. KELHAM,  
Architect



## Nothing else gives so Effective Protection

**N**EVER in the history of banking has there been devised such an effective practical method of bank vault protection as that of the Rivet-Grip System.

Absence of watchmen, destruction of signal alarm systems in no wise leave your valuables unprotected when Rivet-Grip reinforced walls surround them.

Even in the event of undisturbed attack with modern tools and high explosives, Rivet-Grip walls afford resistance so prolonged and effective as to dishearten and discourage even the most seasoned and experienced yegg or burglar in attempting to penetrate further. The Federal Reserve tests at Sandy Hook have proved the effectiveness of Rivet-Grip *balanced protection*.

Typical section of Rivet-Grip reinforcement. This type in an 18-in. wall without lining takes No. 10 Insurance Rating.

*Write for our handbook on modern bank vault construction for interesting, valuable information to bankers about to build or rebuild.*

## The Rivet-Grip Steel Company

*Representatives in all principal cities*

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# Rivet-Grip

**BANK VAULT REINFORCEMENT**

## Dominion of Canada

### ECONOMIC CONDITIONS IN CANADA

By J. W. Tyson

**B**USINESS improvement continues in the new year, and 1926 should go down as marking a return of moderate prosperity, at least in a comparative sense. However, the improvement is not general in its effect on various lines. In some fields there have been changes in methods, particularly in merchandising, which are having far reaching effects. Manufacturers do not seem to be sharing in the business revival to the extent which might be expected in view of the larger volume of goods going into the hands of consumers, whose buying power, particularly that of the agricultural classes, has been improved in a marked way as the result of last year's profitable crop. Smuggling, lack of insufficient protection by tariff, lack of the advantages of mass production, and heavy taxes are mentioned as some of the factors handicapping Canadian manufacturers.

As indicated by the government returns of the banks, there is a surplus of money available for business expansion as conditions warrant. Altogether there are evidences of better times, but there is need for caution and judgment in making plans for expansion.

There are no indications as yet of any drying up of the unusually free supply of money available for commercial expansion, construction or other forms of business activity. The government returns of the chartered banks show that current loans are more than \$50,000,000 less than a year ago, while savings deposits are nearly \$70,000,000 greater and demand deposits higher by \$120,000,000. It is pointed out, however, by the heads of the financial institutions, that this does not indicate a contraction in current business so much as the thawing out of frozen credits. Business financial requirements have been curtailed, too, by the more rapid turnover of goods and commodities; factors which have been responsible for this are increased efficiency in railroad transportation, more prompt deliveries by the aid of motor trucks, and the tendency of the retail trade to maintain low stocks and refrain from speculation. Last year's big crop was handled in a very efficient way and calls on the bank evidently totalled no more than \$25,000,000 at any time during the whole operation. Rela-

Fifty-Nine Years of Business Prestige  
Behind the Name



## HARE & CHASE, INC.

*Automobile Finance*

ASSETS \$30,000,000



Complete Local Service  
in Sixty-Six Cities



NATIONAL HEADQUARTERS  
300 WALNUT STREET  
PHILADELPHIA

tively small investments in stocks of finished goods are the result of experiences following the collapse of post-war prices, rapid change in styles and designs and the necessity for meeting public tastes and the more general adoption of the chain and syndicate ideas in the buying and selling of goods.

The increase of funds in the hands of the banks was referred to at the annual meeting of the Dominion Bank by the president, A. W. Austin, who drew attention to the amount of liquidation of loans which had resulted from the increased revenue from last year's crops and farm products in general. As the result of the liquidation of accumulated indebtedness in the agricultural community the prospects are regarded as more encouraging than for years. It is the experience of the banks that merchants and manufacturers, through generally increasing turnover and reductions in overhead, are, in many cases, putting a stop to the losses so characteristic of annual balance sheets during recent

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*Engineer*

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years. Profits, though often small, are more generally in evidence. The reduction in current loans was specifically referred to at the annual meeting of the Bank of Nova Scotia, by J. McLeod, general manager, who stated that the change was largely in the West where grain borrowers are not using their customary lines of credit for crop moving purposes. He pointed out that the bulk of the wheat crop is now being handled by the wheat pool and, as it is the policy to hold back from the farmer a percentage of the value of his wheat delivered, a substantial amount of capital is thus made available, rendering the pool less dependent on the banks for funds to facilitate operations.

The loan, trust and insurance companies which place many millions of their assets in mortgages on farms and improved city property report a large surplus of funds available. This situation was referred to at the annual meeting of the National Trust Company by the general manager, W. E. Rundle, in connection with the proposal

to have the federal Government adopt a wider program of farm credits. The loaning companies submit that the whole agricultural situation has changed with better prices; that they have plenty of money to supply all legitimate demands for credit; and that, with their organizations which have been established for many years, they are in a position to take care of the situation much more economically than could the Government in establishing a new system. This does not take into consideration the danger of losses on government loans, either through accepting unsound credit for political reasons, or difficulty in making collections from people who look on a government loan as a gift rather than a debt. Further, the loaning institutions submit that if legislative action is taken to restore the status of the first mortgage they can make loans from the funds they now have in hand at as favorable rates as the Government would have to charge to protect itself from immediate loss on any business handled. There are at present as many as fourteen prior claims ahead of the so-called first mortgage for which the mortgagee must assume responsibility.

In the present situation both the banks and loaning companies are placing large portions of their funds in government and municipal bonds which return relatively small profits. These institutions were never established to make such loans and they are, therefore, in a position to offer every encouragement to industrial, commercial or real estate development which will provide a legitimate field for business loans. It is realized that there are certain evident handicaps which are retarding progress in the direction of prosperity. Taxation is very heavy both on individuals and on business. This not only reduces the buying power of individuals but increases the cost of manufacturing and distributing goods. Business is urging on the Government the necessity for reducing taxation to a level comparable with that in the United States.

The political situation is very unsettled with the Government endeavoring to carry on without a clear majority, thus being forced to compromise with certain groups of more or less radical tendencies in the formulating of its policies. This has created an unstable situation in regard to the national taxation and financial program, which is disquieting for trade and industry at a time when perhaps more than ever be-

fore it is desirable that business concerns should be in a position to budget their programs in regard to costs and selling prices.

One of the best indications of improvement in the industrial situation has been the resumption of buying by the Canadian railway systems. This sign that the railways are in a more healthy position and that the steel industry is on a sound basis augurs well for various industries allied to steel. There are certain indications that a period of expansion has been entered upon by that industry. This may embrace the development of Canadian iron ore deposits in the Lake Superior area which, owing to their low grade, have been neglected in the past. New processes are being introduced which promise to make it feasible to refine these low grade ores as a sound commercial proposition. In this connection, however, the ability of European steel producers to get their costs down may prove an important factor.


As in the United States, instalment buying of merchandise by the consumer is becoming increasingly popular. However this business has been financed very largely through the chartered banks and it is felt that it has been kept on a comparatively sound basis. The part payment plan has its favorable side in the encouragement of thrift and its danger seems to lie in putting a new instrument of credit in the hands of a great mass of people who may not appreciate the dangers of using it recklessly.

#### HELD TO DOUBLE LIABILITY

Shareholders of the Home Bank of Canada which collapsed August 17, 1923, with liabilities approximating \$10,000,000, must pay the double liability on their shares, if fully paid-up, and also contribute the balance unpaid, as well as double liability, if not fully paid-up, according to the judgment of Charles Garrow, K.C., Master of the Supreme Court of Ontario, acting as official referee under the Winding-Up Act. This decision, which is given after a hearing of the case extending over a period of two years, affects about 1700 shareholders of the bank in various parts of Canada and elsewhere. The only exceptions to the master's ruling as to double liability are certain stock subscribers who had paid 10 per cent. of the stock price but were allotted no stock and drew no dividends.

The capital stock of the defunct bank

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was \$2,000,000, of which \$1,960,000 was reported as paid-up. The decision will be appealed to a higher tribunal.

#### LA BANQUE PROVINCIALE

The annual report of La Banque Provinciale du Canada, Montreal, Quebec, for the year ending November 30, 1925, shows an increase in deposits of 10 per cent. over last year. There was also a slight increase in net profits which stood at \$407,000 as compared with \$403,330 at the close of the last fiscal year. The total assets also were increased by some \$5,000,000 and stood at over \$45,000,000.

Liquid assets have been well maintained and amount to 55 per cent. of the total liabilities and to 72 per cent. of the total deposits.

#### DOMINION BANK

Moderately increased net profits are shown by the Dominion Bank, Toronto, Ontario, in its annual report. A most satisfactory feature of the annual exhibit was an increase of close to \$5,000,000 in total

### Whatever Your Question

Be it the pronunciation of vitamin or marquisette or soviet, the spelling of a puzzling word—the meaning of overhead, novocaine, etc., this "Supreme Authority"



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deposits, nearly all of which is accounted for by the gain in interest-bearing accounts. Further improvement in the liquid position of the bank is shown. The bank's holdings of Dominion, provincial, municipal and other securities increased by approximately \$3,500,000 to \$25,284,126. Total assets are shown at \$127,933,136, as against \$122,539,333 at the end of the preceding year.

Profits for the year, after deducting charges of management and making provision for bad and doubtful debts, stood at \$1,156,840, an increase of approximately \$13,000 over the preceding year.

### BANK DEBITS IN 1925

Canadian bank debits in 1925 were \$28,121,061,000 as compared with \$27,436,000,000 in the preceding year, representing an increase of 2 per cent. With the exception of the Maritime Provinces, each of the economic areas showed expansion in debits during 1925. British Columbia attained the greatest proportional advance of nearly 7 per cent., the total in 1925 being \$1,842,000,000 as compared with \$1,725,000,000 in 1924. The increase in Quebec Province was more than 4 per cent., the absolute increase of \$342,000,000 resulting in a total of \$8,475,000,000 in 1925. The debits of Ontario were \$11,236,000,000 in 1925, or slightly in excess of the preceding year. The advance in the Prairie Provinces was more than 1 per cent., the total in 1925 being \$5,995,000,000. The debits of the Maritime Provinces were \$572,000,000, representing a decline of 2 per cent. from the preceding year.

### BANK OF NOVA SCOTIA

Although the total of current loans of the Bank of Nova Scotia, Halifax, Nova Scotia, at the end of 1925 were \$6,500,000 less than shown in the previous annual report, the bank was able to show a nice increase in profits, which totalled \$2,137,920, compared with \$2,110,028 in 1924 and \$2,104,532 in 1923. After distributing 16 per cent. in dividends to the shareholders and making allowances for taxes and pensions, the substantial sum of \$112,920 was added to the balance, this being an additional surplus to the \$19,500,000 reserve, against the \$10,000,000 paid up capital.

The bank's total assets of \$244,455,833 showed an increase of nearly \$10,000,000.

### MONTREAL CITY AND DISTRICT SAVINGS

The annual report of the Montreal City and District Savings Bank, Montreal, Quebec, shows an increase of \$1,438,596 in deposits and an increase also in the profits.



C. J. STEPHENSON

Who, at the age of 41, has become senior New York agent of the Canadian Bank of Commerce, Toronto, Ontario. He entered the bank in 1910, at its branch in his home town, Parkhill, Ont., and until 1910, when he came to the New York office as accountant, served in various branches throughout Canada. Since 1910 he has served in the London and New York offices in different capacities.

After the payment of the usual dividends there remained a balance of \$76,745 as compared with \$72,247 in the preceding year. With this addition to its profit and loss account, the bank was able to transfer the sum of \$200,000 to its reserve fund which brings the total under this head in the balance sheet up to \$1,800,000. The total funds on deposit on December 31, 1925, the close of the fiscal year, amounted to \$53,695,127.

#### BANK OF MONTREAL IN MEXICO

The Bank of Montreal, Montreal, Quebec, is opening a new branch at Tampico, Mexico, thus completing a chain of branches embracing all the important centers in the Republic of Mexico.

The first branch of the bank in Mexico was opened at Mexico City in 1906. The business has steadily grown until it today occupies an outstanding position in the republic. Branches have been established at Pueblo, which is on the Sierra foothills, and has a population of 100,000; at Vera Cruz, one of the chief ports on the Gulf of Mexico; at Guadalajara, some 300 miles northwest of Mexico City, with a population of 140,000; and at Monterey, in north Mexico, with a population of 85,000.

#### RULING IN N. S. F. CHECKS

An important ruling which promises to be effective in checking the growing N. S. F. check nuisance, has been passed by the Toronto Clearing House Association. It is

that: "Any check once cleared and returned for the reason not sufficient funds must first be certified before it can be again cleared to the bank upon which it is drawn." This means that instead of the maker of the check excusing himself on the ground of thoughtlessness or forgetfulness, and suggesting that the check be put through again, the holder of the doubtful document will be able to say that he cannot do this because of the clearing house ruling and that the debtor must have the check certified at his bank before it can be put through again.

#### THE BANK OF VANCOUVER

Considerable progress has been made in the liquidation of the defunct Bank of Vancouver, Vancouver, British Columbia. Through collection of outstanding debts, funds are being accumulated and the note issue of approximately \$400,000 has been paid in full. A start also has been made towards payment of the provincial government deposit of \$102,800, in the bank at the time of the failure on December 14, 1914.

The bank liquidator has been able to collect debts owing through litigation in Yokohama, Hong Kong, San Francisco, Chicago and many eastern Canadian points. In addition, negotiations are under way for the sale of a large block of realty south of Vancouver. There are roughly \$252,000 in deposits still to be cared for. Dividends are unlikely for another two years.

NO man who has not made a study of the essential principles of investment is competent to invest even his own funds.

—Clay Herrick.



# YORK VAULTS

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| <i>Philadelphia</i> | <i>Pittsburgh</i> | <i>Detroit</i>      |
| <i>Chicago</i>      | <i>Louisville</i> | <i>Jacksonville</i> |
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| <i>Cleveland</i> | <i>Chicago</i> | <i>San Francisco</i> |                  |

# Some Recent Bank Building Operations

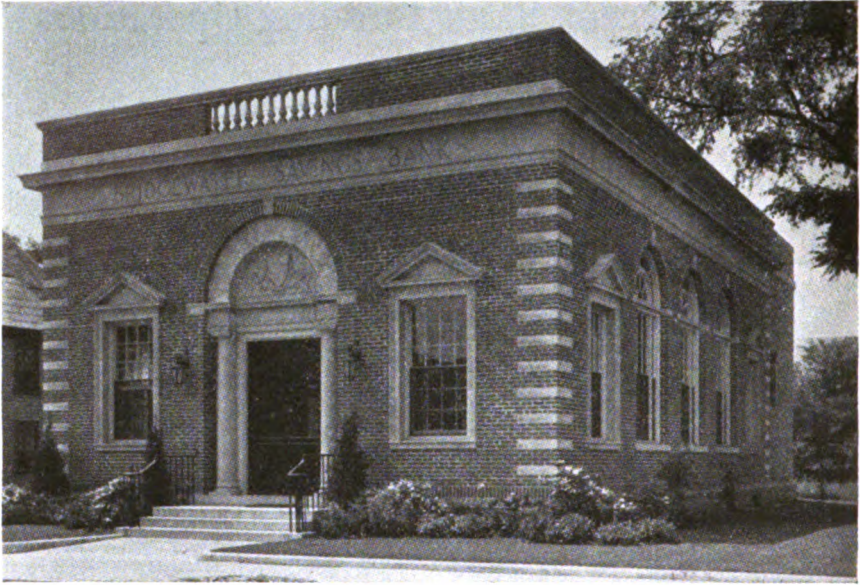
SPECIAL

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SECTION



*The architects' drawing for the building to be erected this spring by the Peoples National Bank, Latrobe, Pa., of which Charles H. McLaughlin is president, and Ernest Overholt, cashier. Morgan, French & Co., Inc., New York, are the architects*



*In the new building of the Bridgewater Savings Bank, Bridgewater, Mass., distinction and beauty of design have been achieved in a relatively inexpensive building, through simplicity of architectural motive. The architects were J. Williams Beal Sons Boston, Mass.*



*A close view of one of the Crittall steel casement windows in the Federal Reserve Bank of San Francisco*

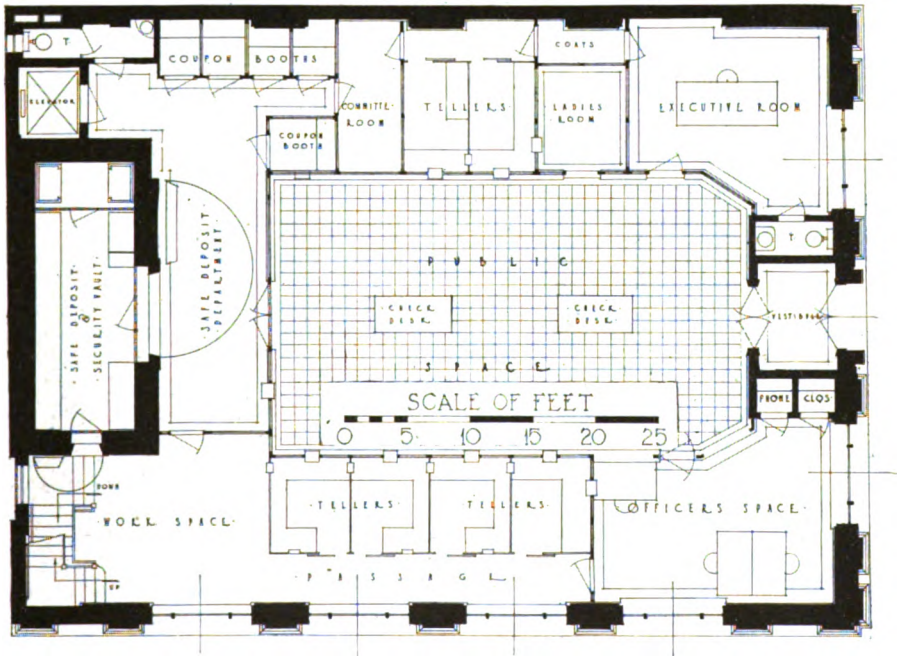


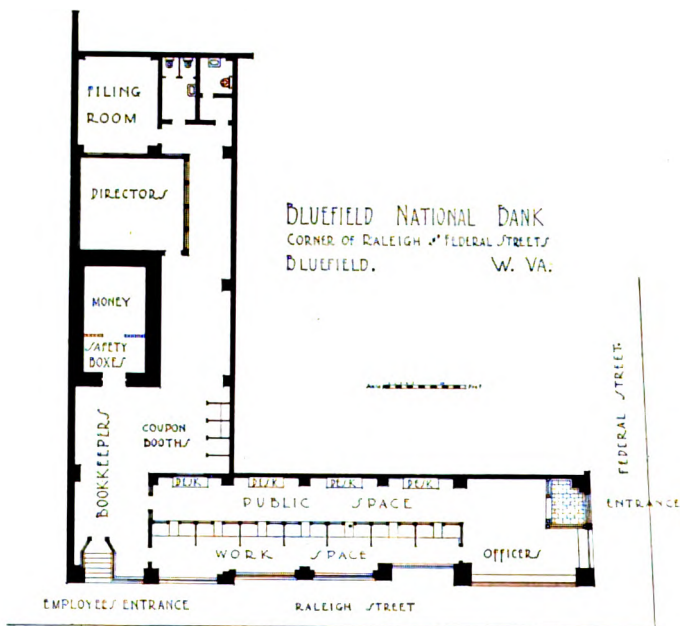
*The architects' drawing of the building designed by Hopkins & Dentz, architects, New York, for the Washington Trust Company, Washington, Pa. It is an interesting and refreshing departure from the usual style of bank buildings*



*The main entrance to the recently completed Wayne National Bank, Goldsboro, N. C., as seen from the public space. The building was designed by Alfred C. Bossom, bank architect, New York*

The new building of the Berkshire Loan and Trust Company, Pittsfield, Mass., planned and constructed under the supervision of Holmes & Winslow, bank architects, New York. It is built of white marble, with tall fluted Corinthian pilasters, doubled at the corners of the building to give added strength and dignity to the design. Otherwise the building is devoid of ornament. The drawing below shows how the building was designed to accommodate the particular type of business of the bank, with large floor space in the center, and the officers easily available. The bank occupies the offices on the second floor as well as the main floor.





*The Bluefield National Bank, Bluefield, W. Va., believes that most banks have too much floor space. Accordingly, its new quarters are but 17 feet wide at the widest point. The photograph reproduced above shows what the public space looks like, and the drawing shows the layout of the bank. By this arrangement, it was possible to place a brick partition between the banking room and the work room, to eliminate the noise of adding machines, typewriters, etc. The bank reports that the new arrangement has saved \$100 a month in rent, allows plenty of work space behind the counters, an 8 foot wide lobby, and an ideal bookkeeping department and directors' room.*

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# BOOK REVIEWS AND NEW BOOKS.

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THE BRANCH BANKING QUESTION. By Charles W. Collins. N. Y.: Macmillan. \$1.75.

THE controversy regarding branch banking which has been attracting so much attention in banking circles in the last few years "has been precipitated by an attempt on the part of the national banks to secure legislation from Congress to enable them, in those localities where state laws permit state institutions to engage in branch banking, to compete on terms of equality with such institutions, so far as the home city branches are concerned, and to be protected from state-wide branch banking by state bank members of the Federal Reserve System." This is rather strange, in view of the fact that "branch banking may be said to have made as yet relatively little headway in the United States." Its importance at the present time, then, is due not so much to its present development, as to its potentialities.

The National Bank Act does not permit the national banks to establish branches, although various Comptrollers of the Currency have allowed national banks to open "additional offices" or "tellers' windows," and national banks can acquire branches through consolidation with state institutions having branches. Seventeen states prohibit branch banking in any form. In eleven states, branch banking is not expressly prohibited, but is not allowed to exist by state officials, on the ground that the laws include no implied or incidental powers permitting the establishment of branches. Only twenty states, therefore, out of the forty-eight permit branch banking, and of these, only eight permit the establishment of branches outside the home city.

The national banks have made various efforts to establish branches, the leading attempt being that of the First National Bank in St. Louis, but without result, and the ruling still holds that a national bank is without authority to establish a branch bank for the conduct of a general banking business.

This situation has naturally alarmed the national banks and the officials of the Federal Reserve System, because its result is a steady weakening of the national banking system, and a potential weakening of the

Federal Reserve System. Failing to remedy the situation through administrative regulations, remedy has been sought in legislation changing the provisions of the National Bank Act—the McFadden Bill relating to branch banking. This was introduced into Congress on February 11, 1924, and has been debated and changed and amended pretty constantly ever since. Briefly, it restricts branch banking to city branches in states which now have branch banking, and does not permit any branch banking whatever in states which do not now have branch banking. It has recently passed the House of Representatives, and is now before the Senate.

Since it is a familiar principle of democracy that proper legislation rests upon full information, Mr. Collins' attempt to bring together all the pertinent information concerning branch banking must be welcomed. He has not taken sides, but has presented the arguments for and against branch banking in general; the historical facts as to its growth in the United States, the statistics of the present extent of branch banking; the history of the administrative regulations of the Comptroller of the Currency and the Federal Reserve Board on branch banks; and the history of the McFadden Bill, leaving it to the reader to decide for himself whether branch banking should be extended or prohibited.

It is to be regretted that a discussion of the experience of branch banking in foreign countries could not have been included, with some comparison or contrast of the situation in such countries with the condition in the United States, so as to form the basis of an opinion on the probable effect of the further extension of branch banking. But as an exposition of the situation in the United States on branch banking today, the book is as complete as could be desired.

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TRUST DEPARTMENTS IN BANKS AND TRUST COMPANIES. By Clay Herrick. N. Y.: McGraw-Hill. \$4.

WHILE numerous books have been published on both banking theory and practice, and

(Continued on page 492)



# Practical Books on Banking

## The Paying Teller's Department

By Glenn G. Munn, lecturer, American Institute of Banking. 144 pages, 4½ by 6½. Bound in boards. Price, \$1.25.

The purpose of this volume is to present in a practical manner the functions of the paying teller and related departments in every phase—whether they occur in a city or country bank, or in the East or West. It is intended as a reference book to which the officers, paying tellers and other clerks may turn for guidance in answering questions which constantly arise with regard to cashing checks, certifications, reserve requirements, supply and disposition of money, tests for counterfeit money and raised bills, shipping currency, etc.

## The Bank Credit Investigator

By Russell F. Prudden. 200 pages. Cloth. Price, \$1.50.

This book was written primarily as a text-book for the beginner—the young man who is just starting in at bank credit investigation work. It is designed to give him an understanding of the importance of this branch of bank work, an appreciation of the necessity for tact and diplomacy, and by concrete example, to explain the various steps in the scientific investigation of a credit risk. Credit managers will find this book of the greatest usefulness in training the members of their staff and in helping them to avoid the errors that come from inexperience. Young bankers that expect to get into credit work should read this book in order to grasp the fundamentals of the work. It should be in every bank library.

## Bank Credit Methods and Practice

By Thomas J. Kavanaugh, vice-president, Mississippi Valley Trust Co., St. Louis, and lecturer at St. Louis University. Second edition, 241 pages. Illustrated with forms. 5½ by 8. Cloth, \$2.50.

This book contains an accurate description of the operation of a credit department in a modern bank, showing how credits are passed upon by the bank executive and how essential information is kept on file. It is useful not only to the banker but also to the business executive who is interested in learning the banker's attitude on what is and what is not a good credit risk.

## The Cause and Prevention of Bank Defalcations

By Martin K. Fowler, New Jersey State Bank Examiner. 150 pages. 4½ by 6½. Bound in boards. Price, \$1.50.

This book was written primarily as a means of pointing out to bank directors and officers their responsibility for the prevention of criminal defalcations. After many years of experience Mr. Fowler has reached the conclusion that most defalcations can be prevented by more diligence on the part of directors in removing both the desire and the opportunity for crime. In this book the author sets forth the causes and suggests methods for the prevention of bank defalcations.

## The Bank Agricultural Department

By R. A. Ward, general manager, Pacific Co-operative Woolgrowers; formerly vice-president, First National Bank of Bend, Ore., and member of the agricultural committee, Oregon Bankers Association. 4½ by 6½. Bound in boards. Price, \$1.25.

This book shows the bank serving an agricultural district how to organize a special department to serve the farming interests of the community. It tells why a service of this kind is profitable for the bank and how it can be of help to the bank's customers.

## Elements of Foreign Exchange

By Franklin Escher, special lecturer on Foreign Exchange at New York University. Ninth edition. 160 pages, 5½ by 8. Cloth, \$1.60.

This book is elementary and is designed for the reader who wants to get a clear idea of how foreign exchange works without going too deeply into technicalities. It gives a clear understanding of the causes which affect the movement of foreign exchange, its influence on the money and security market, etc.

## The New Business Department

By T. D. MacGregor, vice-president, Edwin Bird Wilson, Inc. 104 pages, 4½ by 6½. Bound in boards. Price, \$1.25.

This book describes the actual operation and organization of the "new business department" of a modern bank and shows how any bank can organize such a department and make it a profitable producer of new business and accounts.

## The Women's Department

By Anne Seward, Empire Trust Company, New York—one of the ablest and best known women bankers in the country. 120 pages. 4½ by 6½. Bound in boards. Price, \$1.25.

This book contains, in addition to interesting and helpful personal experience of the author, a fund of hardheaded and valuable information on the problems incident to the profitable operation of the women's department in a suburban, small town or metropolitan bank. An invaluable book for banks operating women's departments or contemplating the organization of such departments. No bank official or bank woman can afford not to be informed on this phase of American banking.

## Commercial Paper

By W. H. Kniffin, Jr., vice-president Bank of Rockville Centre, N. Y. 174 pages, illustrated. 6 by 9. Cloth, \$2.50.

This book fills a long-felt want for a book that will enable the banker and the credit man to properly analyze credit statements and thus be able to pass properly on the credit risk involved. Also shows how to buy commercial paper. A number of actual financial statements covering various lines are given and carefully analyzed to show strong and weak points. The subject of acceptances is also given careful consideration.

# that should be in your library

## Encyclopedia of Banking and Finance

By Glenn G. Munn, author, "The Paying Teller's Department." Lecturer, American Institute of Banking. 600 pages. 7½ by 10½. Bound in cloth. Price, \$10.00.

This is the first encyclopedia of banking and finance to be published. It describes over 3000 terms relating to money, credit, banking practice and history, law, accounting and organization, foreign exchange, trusts, investments, speculation, markets and brokerage. Under one cover the author has compiled information taken from hundreds of different sources, alphabetically arranged so that the reader can turn to the subject in which he is interested with a minimum of time and effort.

A feature of this work is the inclusion of the text of such important legislation as the Federal Reserve Act, the Federal Farm Loan Act, the Agricultural Credits Act, the Negotiable Instruments Law, the National Bankruptcy Act, the Bill of Lading Act and the Cotton Futures Act.

Another valuable feature is the bibliography given at the end of each important topic, referring the reader to the various sources from which more detailed information can be obtained about the subject in which he is interested.

This book is useful for the bank executive as a handy work of reference, and to the student of banking as a means of acquiring a broad knowledge of banking subjects. Regular study of this book is recommended to those who would be well informed on banking. This book should be made available to employees in every bank in the country.

## Recollections of a Busy Life

By the late James B. Forgan, formerly chairman of the First National Bank, Chicago, De Luxe Autographed Edition, personally signed by the author. Only limited number still available. 335 pages. 5½ by 8½. Genuine leather. Price, \$6.00.

This is the life story of one of America's best loved bankers—told in a simple, unassuming and yet wholly captivating style. From the day that "Jamie" Forgan's grandfather walked three quarters of the two miles along the Five Seacoast with his youthful grandson before the latter embarked for Canada, to the day when James B. Forgan, banker, was summoned to the White House by Theodore Roosevelt to give the President his views on a national system for the

mutual guaranty of bank deposits which Mr. Forgan opposed as inimical to sound banking, is a period of over fifty years, not one of which the author considered too "busy" to enjoy to its fullest.

The lighter details of the author's experiences as well as the more serious side in connection with his chosen profession make the book of interest to all bankers—young and old. The younger bankers will receive inspiration from the author's account of the reasons for his success, and the older generation will enjoy Mr. Forgan's recollections of former days.

## The Romance and Tragedy of Banking

By the late Thomas P. Kane, former Deputy Comptroller of the Currency. 550 pages, 9½ by 6¼. Bound in cloth, \$5.00.

This really remarkable book contains within its 550 pages the story of National Banking since the Civil War. It tells how the system was first put in operation and how it has been administered. Many interesting and significant incidents connected with National Bank supervision are here related for the first time.

One of the most interesting features of the book is its graphic description of the events leading up to many of the most famous bank failures under the National Bank Act. The causes of bank failures are always of vital interest to bank executives, and these inside stories of famous disasters should prove particularly valuable.

This volume is not dry and uninteresting. It is written in an easy, readable narrative style with particular emphasis on the human side of banking. The vivid personalities that have held the stage in the banking drama of the past half century are described, particular emphasis being placed on the Comptrollers of the Currency, whose administrations are all described in detail.

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(Continued from page 489)

some on trust companies, no book has, up to this time, dealt with the trust department alone. It may be that lack of sufficient information on this subject has been the reason for the slow growth of such departments in national banks. Since the passage of the Federal Reserve Act in 1913, the way has been open for them to obtain authority to act as fiduciaries, and yet, up to June 21, 1924, only 1800 of the approximately 8000 national banks had availed themselves of this privilege. If lack of information is the cause, they need wait no longer, for all the information necessary for the organization of such a department seems to be contained in this book, from the procedure in applying for fiduciary powers, to fees and charges.

A short history of the "corporate trust" idea begins the book, followed by the functions of the trust department and the superiority of the corporate fiduciary. Proceeding from theory to practical application, the personnel required is described, methods of trust accounting, and forms and records are described and illustrated. This section of the book is particularly valuable. One set of forms is not considered sufficient; instead forms are given for a large trust department, a medium sized department, and for a small trust department. These added to the description of methods of audit and control comprise the things that a new trust department has most difficulty with.

Having now got the trust department organized and equipped with a proper personnel and forms, the next subject is the business to be transacted—the duties of the department as executor, administrator, guardian, under private agreement, as agent, transfer agent, trustee under bond issue, fiscal agent. All these are taken up in order and fully covered.

Finally, there are chapters on community trusts, trust investments, and fees and charges. The appendix contains various forms of trust agreements, the New York Stock Exchange rules for delivery, the uniform stock transfer law, list of community trusts and foundations, a schedule of fees, and a very complete bibliography.

Mr. Herrick who is vice-president of the Guardian Trust Company, Cleveland, has written a good deal on trust subjects. This is shown in the logical arrangement of his book, and the thorough way in which the

field is covered. Everything is set forth in as clear a manner as possible, and little is overlooked. He says it has been his aim "to make this a practical and reliable book on the subject, useful to the general reader and the student beginner, and also of value as a handbook for trust officers and experienced workers in trust departments." It is in this latter capacity that it will probably be most useful. It is an excellent book.

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REPARATION PAYMENTS AND FUTURE INTERNATIONAL TRADE. By Sir Josiah C. Stamp, Alberto Pirelli and Count A. de Chalendar. Paris: International Chamber of Commerce.

THIS is a report prepared by a special committee of the International Chamber of Commerce to consider the reparations problem. The problem, says the report, is not by any means settled by deciding what or how Germany must pay. There still remains the difficulty of getting out of Germany the amount paid, without disorganizing exchange, and without bad effects on the trade of the allies.

One good service done by the report is the clearing up of the confusion resulting from the apparently illogical impression that we want to have foreign debts repaid, but that repayment of debts or the payment of reparations is burdensome to the receivers. The confusion results from thinking, in the first case, of the nation as a whole receiving debt payments, and in the second case, of the nation as separate individuals or industries, some of which are likely to suffer from the imports made necessary by reparations.

A survey of Germany's exporting capacity before the war, and her probable capacity in the future is not conducive to optimism as to her ability to pay the 2,500,000,000 gold marks, but considering the normal growth of world trade, the committee concludes that "there is reasonable hope that the Dawes annuities can take a form capable to the full extent of appropriation by the allies beyond her borders, and that Germany, at any rate, will find no insuperable difficulty in meeting the obligations of the plan."

The real difficulty, then, is to get the goods to the allies without disorganizing exchange, or spoiling the market for home goods. This can be done by:

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### Notes

Dr. J. T. Holdsworth, and Hon. John S. Fisher, former Commissioner of Banking of Pennsylvania, are compiling a "History of Banking in Pennsylvania," which is expected to be ready for publication shortly.

B. M. Anderson, Jr., Ph. D., economist of the Chase National Bank, New York, has written a pamphlet on "The Income of the American People and the Ratio of Foreign to Domestic Trade 1890-1924," which may be had from the bank on application.

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**PORTO RICO, HISTORY AND CONDITIONS, SOCIAL, ECONOMIC, AND POLITICAL.** By Mixer Knowlton. N. Y.: Macmillan. \$4.

**FRENCH IRON AND STEEL INDUSTRY.** By C. L. Jones and others. Wash. D. C.: Govt. Printing Office. 10 cents.

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**THE INDUSTRIAL EXECUTIVE.** By B. A. Franklin. N. Y.: Ronald Press. \$1.25.

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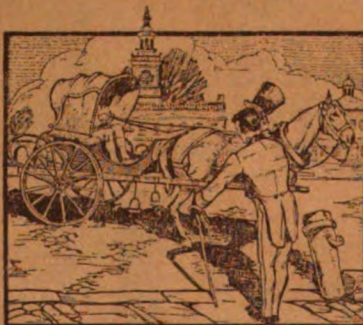
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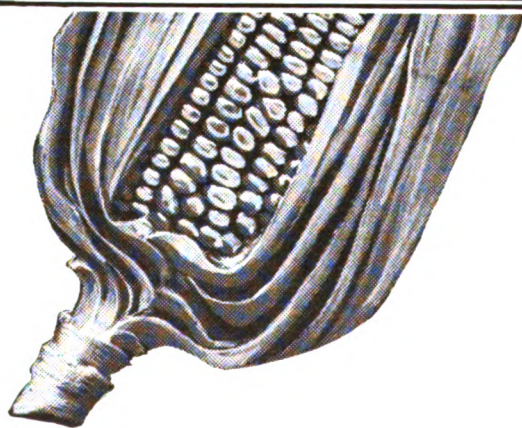
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MAIN OFFICE  
Chestnut Street at Second

CENTRAL CITY OFFICE  
1510-12 Chestnut Street



## The Publisher's Page

**B**EGINNING with the May number THE BANKERS MAGAZINE will appear in a new type dress and with a new cover design. The editors have gone to some pains in planning the makeup of the new Magazine with the view of making its appearance as inviting and presentable as possible, and its text matter as readable as a careful selection of type can make it. The present dimensions of the Magazine will be retained. Present features of the Magazine, such as authoritative articles on financial and economic subjects in which bankers are interested, and on phases of business and industry which relate directly or indirectly to banking will continue to hold the usual prominent place in the Magazine. The sections dealing with international banking and finance, banking and commercial law, banking publicity, bank credit problems and items of interest to bankers about banks and banking in all parts of the country will be retained in the new Magazine.



**A**S was mentioned on this page in the April number, the coming issues of THE BANKERS MAGAZINE will include many articles of both a timely and an interesting nature, written by men who have distinguished themselves in the fields of banking, economics and finance. Among these may be mentioned Frank A. Vanderlip, banker and author of a number of widely read articles and books on various economic and financial subjects; Charles M. Schwab, chairman of the Bethlehem Steel Corporation, and a director of a number of important financial and industrial concerns; Dr. George W. Edwards, author of a number of books on banking and international finance and Professor of Banking at New York University; Bertrand Russell, distinguished British economist and author of several widely read books and numerous essays on social and industrial questions; Richard W. Saunders, comptroller of one of the country's largest corporations and formerly

cashier of the National Bank of Commerce in New York; G. Prather Knapp, first vice-president of the Bankers Service Corporation and one of the country's leading authorities on financial publicity, and Hartley Withers, internationally known as an authority on financial and economic subjects and former editor of the London "Economist."



**W**ITH Bertrand Russell's article on "Capitalism—or What?" in the May number THE BANKERS MAGAZINE begins a symposium of articles on the capitalistic system. Mr. Russell turns his attention to some of the faults of capitalism, which he believes can be and should be modified. In the June number will appear a defence of the capitalistic system by Charles M. Schwab. Mr. Schwab points out how capitalism has stood the test where other systems have failed to do so and discusses the social and economic benefits which have been brought about among civilized peoples under the capitalistic system.



**T**HE BANKERS MAGAZINE will commemorate, with its June issue, the eightieth year of its establishment. A number of unusual features have been planned for this issue.



**A**RTICLES scheduled for appearance in early numbers of the magazine include the following: "How Far Will the Bank Merger Movement Go.?" "Why Comptrollers?" "The Future of Foreign Banking in America," "Should the Federal Reserve Banks Be Rechartered Now?" "Putting the Advertising Faker Out of Business," "The 'You' Approach in Bank Advertising," and "The Investment Trust in America."

# —At the New York End

THE BANK OF AMERICA has for generations held the custom of substantial families and business houses because it has held their confidence.



## THE BANK OF AMERICA

ESTABLISHED 1812

NEW YORK CITY

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



# The A B C

of international banking is provided through our 61 branches and offices distributed as follows:

**Argentina Brazil Chile**

and throughout the Americas, France, Spain and England

**Anglo-South American Bank, Ltd.**

and its affiliations

**British Bank of South America**

and

**Commercial Bank of Spanish America**

Represented by

**THE ANGLO-SOUTH AMERICAN TRUST COMPANY**

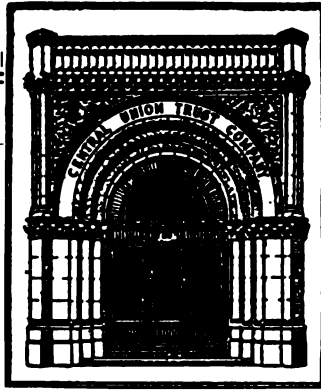
Incorporated under the laws of the State of New York

**49 Broadway, New York**

NORMAN C. STENNING, President

1864

*Comprehensive  
Foreign  
Banking  
Service*



1926

*Traveler's  
Checks  
Foreign  
Currency*

## 62 Years

**T**HIS Company offers you its services based upon the experience gained during more than half a century of conservative activities.

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- A commercial banking business including discounts, acceptances, etc.
- Foreign Exchange, Commercial and Traveler's Letters of Credit, etc.
- Acts as Executor, Trustee, Transfer Agent, Registrar of Stocks and in every Fiduciary Capacity.

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George W. Davison

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*Capital, Surplus and Undivided Profits over 40 Million Dollars*

*Member Federal Reserve System*



"THE BANKERS' SERVICE STATION"

## Beyond the Usual—

services ordinarily rendered by a city correspondent, the "Republic" has developed a broad list of "unusual" services, each one



of which is designed to create a definite advantage for your bank. Note what the two following banks have to say about them:

*from*  
**Montana**

"We wish to thank you for the exceptional way in which your bank is handling our account. During the *four weeks* we have used your good bank as correspondent we have had more offers of service than we ever had in *four years* from any other."



*from*  
**Illinois**

"I am not overlooking the fact that you folks are sending out to your correspondent banks a broad list of wonderful suggestions and we are "falling" for nearly all of them. Your Bank Money Order Plan is especially attractive."



*An inquiry will bring full details  
by return mail*



**The National Bank of the  
REPUBLIC  
OF CHICAGO**



JOHN A. LYNCH, *Chairman of the Board*  
DAVID R. FORGAN, *Vice-Chairman*    GEORGE WOODRUFF, *Vice-Chairman*  
H. E. OTTE, *President*

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## **Place Your Philadelphia Account With This Strong Well-Equipped Institution**

The Philadelphia National Bank, organized in 1803 and The Girard National Bank, founded in 1832, two of the largest and most influential National Banks in the City of Philadelphia, by action of their Boards of Directors have consolidated as

THE

# **PHILADELPHIA-GIRARD NATIONAL BANK**

the Capital being \$8,000,000 and Surplus \$17,000,000.

Mr. Levi L. Rue, former President of The Philadelphia National Bank, is Chairman of the Board of Directors and Chairman of the Executive Committee, and as such heads the organization.

Mr. Joseph Wayne, Jr., former President of The Girard National Bank, is President of the Bank and Chief Executive Officer, having charge and direction of its affairs.

The entire official and clerical staffs of both institutions have been retained, which not only insures to our correspondents the maintenance of the same liberal and efficient service and the personal attention to their needs which has characterized the service of each Bank in the past, but very materially increases the facilities which we have to offer.



## When in Philadelphia

CONSIDER the Advantages of Day and Night Banking Service at Five Conveniently-located Points Throughout the City.

THIS is a service of inestimable value to busy men and women, making it possible for them to attend to banking matters in comfort after usual banking hours.

Commuters and those who have frequent occasion to visit Philadelphia will find the maintenance of an account of practical advantage—at our Main Office, Fifteenth and Chestnut Streets or at any of our branches.

Capital and Surplus  
\$4,000,000

Resources, over  
\$33,000,000

## Franklin Trust Company

S. W. Cor. Fifteenth & Chestnut Sts.

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West Phila. Office  
52nd & Market Sts.

Germanstown Office  
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*Head Office:*

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*Branches in about 100 towns,  
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Dresden, Düsseldorf, Essen,  
Frankfort a/M, Hamburg,  
Köln, Leipzig, Lübeck,  
München, Stettin, Wiesbaden**

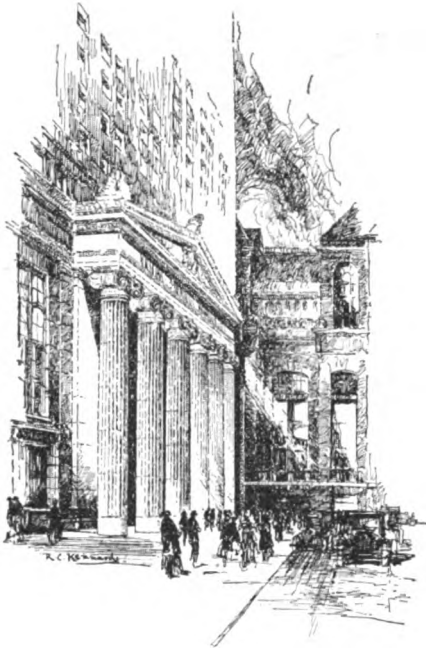
**Danzig Bucharest**

*Telegrams: Dresdbank*

**Amsterdam:**

**PROEHL & GUTMANN**

*Telegrams: Dresdagent*



## Specializing in the Underwriting and Distribution of Investment Securities

In our Bond Department here in Chicago, more than a hundred people are engaged exclusively in serving our investment customers. ¶ In addition, local offices are maintained for resident district representatives in Milwaukee, Minneapolis, Davenport, and St. Louis. ¶ In all, twelve out-of-town representatives are constantly serving the financial interests of eight central states. ¶ Through our officers we are in personal touch, at all times, with investment affairs in all parts of the country, as well as abroad. ¶ And back of all is the banking institution itself with its great resources, its complete organization and long financial experience.

*Capital and Surplus • Forty-Five Million Dollars*

# ILLINOIS MERCHANTS TRUST COMPANY

*A consolidation of the Illinois Trust & Savings Bank,  
The Merchants Loan & Trust Company and  
The Corn Exchange National Bank*

LA SALLE, JACKSON, CLARK AND QUINCY STREETS • CHICAGO

# HARRIS, FORBES & CO

Successors to N. W. HARRIS & CO., New York

Pine Street, Corner William  
NEW YORK

## BONDS FOR INVESTMENT

Harris, Forbes & Company  
Incorporated  
Boston

Harris Trust & Savings Bank  
Bond Department  
Chicago

*The*  
**Atlantic National Bank of Jacksonville**  
WITH WHICH IS AFFILIATED THE AMERICAN TRUST COMPANY  JACKSONVILLE FLORIDA

The Atlantic National Bank is a Florida bank. Its bond department is manned by men with years of experience in Florida investments; its Trust department by specialists in Florida fiduciary matters; it has direct connections with every banking point in the state; its information on Florida is current.

“FOREMOST IN FLORIDA”

*Where Bankers Bank  
And 200,000 Others*

Five thousand banks, one  
out of every six in the  
United States, keep  
money on deposit here

*The* **CONTINENTAL** *and*  
**COMMERCIAL**  
**BANKS**  
**CHICAGO**

**RESOURCES HALF A BILLION—AND MORE**

# A Massachusetts Fiduciary Qualified by 48 years' experience

Practically every kind of Trust problem that may arise has been met and solved by this Company during its 48 years' experience. We have handled hundreds of Estates.

We cordially invite individuals and corporations who require fiduciary service in Massachusetts to correspond with the President or other officers of this Company.

**BOSTON SAFE DEPOSIT &  
TRUST COMPANY**  
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*At ARCH and DEVONSHIRE STREETS* Boston 6



PRESENTED TO THE CORPORATION BY  
NORFOLK BY 'L' GOV ROBERT DINWIDDIE  
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Organized 1885

**UNITED STATES DEPOSITORY**

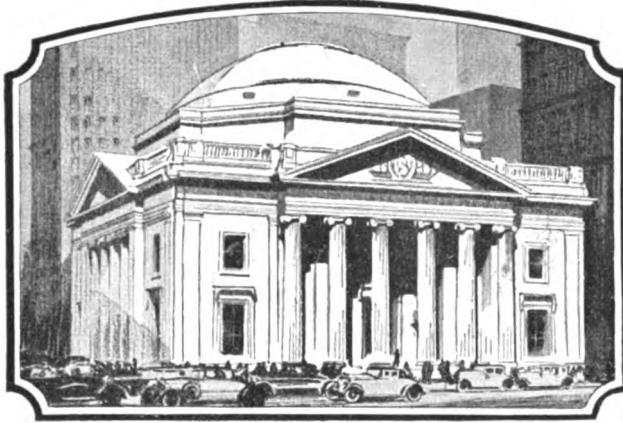
**Capital . . . . \$1,000,000**  
**Surplus and Profits \$1,310,000**

- W. A. GODWIN . . . . . President
- A. B. SCHWARZKOPF . . . . . Vice-President
- J. B. DEY, Jr. . . . . Vice-President and Cashier
- C. S. WHITEHURST . . . . . Vice-President
- I. T. VAN PATTEN . . . . . Asst. Cashier
- E. D. DENBY . . . . . Asst. Cashier
- R. H. MOORE . . . . . Asst. Cashier
- H. B. REARDON . . . . . Auditor

**The Oldest National Bank  
in Eastern Virginia**

**CORRESPONDENTS**—National City Bank, New York; National Bank of Commerce, New York; Fourth Street National Bank, Philadelphia; Philadelphia National Bank, Philadelphia; National Shawmut Bank, Boston; Merchants National Bank, Baltimore.

Our growth is the direct result of the confidence of the business world in our bank—a bank that has cultivated an intimate appreciation of business problems and has tried to be helpful in up-building vital business interests of our country.



*Chartered 1836*

## *A Trust Service for Financial Institutions*

**I**N addition to the usual banking facilities offered to its clients, this Company as correspondent for financial institutions places at their disposal the assistance of its Trust Department.

Due to the large amount of trusts in care of the Company and by virtue of the wide and varied Trust experience built upon nearly a century of trust service, the personnel of the Trust Department is well qualified to assist banking clients with their trust problems.

It follows that a trust company or bank maintaining a trust department to which we may be of service may profitably consider this institution as a reserve depository for its funds.

*Individual Trust Funds \$415,000,000*  
*Corporate Funds - \$1,498,000,000*

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**GIRARD TRUST COMPANY**  
BROAD AND CHESTNUT STREETS • PHILADELPHIA

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# Let us send you the most interesting banking biography—



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By James B. Forgan

The lighter details of the author's experiences as well as the more serious side make this book of interest to all bankers. The youngsters will receive inspiration from the author's account of the reasons for his success and the older generation will enjoy his recollections of banking days of the past.

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FOR over 54 years the name of this institution has stood for all that is substantial and dependable in financial affairs in Detroit.

Resources over  
\$150,000,000

**THE PEOPLES STATE BANK**  
DETROIT, MICHIGAN

**Citizens Bank & Trust Co.**

TAMPA, FLA.

Member Federal Reserve System



Capital - - - - \$1,000,000.00  
Surplus and Undivided Profits 1,250,000.00

Our extensive connections and complete facilities enable us to handle all branches of foreign and domestic banking with the highest degree of efficiency

*Collections given special attention, and prompt remittances made*

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D. H. LANEY, Vice-President and Cashier  
ISAAC MAAS, Vice-President  
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L. I. BUCHANAN, Vice-President  
C. E. HESTER, Assistant Cashier and Credit Manager  
W. W. BLOUNT, Assistant Cashier  
D. B. RENFRO, Assistant Cashier  
JOHN T. BIZE, Assistant Cashier  
ASHBY GIBBONS, Assistant Cashier  
R. W. CLAPP, Assistant Cashier  
S. W. McCORD, Assistant Cashier  
A. M. EDWARDS, Auditor  
K. M. KRUSE, Contact Man

# NATIONAL PROVINCIAL BANK

LIMITED

Established 1833

(\$5=£1)

|                          |               |
|--------------------------|---------------|
| Subscribed Capital - - - | \$218,085,400 |
| Paid-Up Capital - - - -  | 47,397,080    |
| Reserve Fund - - - - -   | 47,397,080    |

**Head Office:** 15, BISHOPSGATE, LONDON, E. C. 2

UNION BANK OFFICE: 2 Princes Street, London, E. C. 2

OVER 1,100 OFFICES in ENGLAND and WALES

**The Bank offers special facilities for the conduct of accounts  
of Colonial and Foreign Banks**

AFFILIATED BANKS

COUTTS & CO., GRINDLAY & CO., LTD.

Bank of British West Africa, Ltd.  
Lloyds & National Provincial Foreign Bank Ltd.

P. & O. Banking Corporation, Ltd.  
The British Italian Banking Corporation, Ltd.

## Glyn, Mills & Co.

(Established 1753)  
Registered with unlimited liability, 1885  
incorporating

CHILD & CO. and HOLT & CO.  
(Established before 1600) (Established 1809)

BANKERS

Army and Air Force Agents, Navy and Prize Agents

Head Office - 67, Lombard St. London, E. C. 3

Childs Branch - - - 1, FLEET STREET, LONDON, E. C. 4

Holts Branch - 3 & 4, WHITEHALL PLACE, LONDON, S. W. 1

Current and Deposit Accounts opened on the usual terms.

The Bank has Agents or Correspondents in all the principal cities or towns throughout the World, and can provide Banking facilities for its customers wherever desired. Letters of Credit and Circular Notes issued on our Foreign Correspondents and Agents throughout the World.

Currency Drafts obtained; Remittances mailed and Telegraphic Transfers made to all parts of the World.

Foreign Currency Accounts opened.

Purchase and Sale of Stocks, Bonds and Shares effected and custody of securities undertaken.

Dividends, Annuities, etc., received; forms authorising their receipt supplied, and coupons collected for customers.

Recovery of Income Tax and Preparation of Income and Super-tax Statements undertaken. The Bank has a special department to advise and assist customers on questions relating to Income and Super-tax.

The duties of Executors and Trustees undertaken.

Navy and Prize Agents. Salvage claims preferred.





ESTABLISHED 1832

## Banking Service in Canada, Newfoundland and West Indies

With 265 branches in Canada, 18 in Newfoundland, 10 in Jamaica and 9 in Cuba, Porto Rico and the Dominican Republic, we are well equipped to handle the accounts of banks and corporations wishing to do business with these points.

**Capital Paid-Up - - \$10,000,000**  
**Reserve Fund - - \$19,500,000**  
**Total Assets over - \$220,000,000**

# The Bank of Nova Scotia

**GENERAL MANAGER'S OFFICE: TORONTO, ONT.**

J. A. McLEOD, General Manager

**NEW YORK AGENCY - - - - 49 WALL STREET**

P. W. MURPHY and F. W. MURRAY, Agents

**LONDON BRANCH: 108 Old Broad St., E. C. 2**

### CORRESPONDENTS

**LONDON, ENG.—Midland Bank Limited, Bank of England,  
Royal Bank of Scotland**

**NEW YORK—Bank of New York & Trust Co.**

**National Bank of Commerce in New York**

Established 1878

# Imperial Bank of Canada

HEAD OFFICE, TORONTO

Capital (Paid Up) . . . . \$7,000,000

Reserve Fund - . . . . 7,500,000

PELEG HOWLAND, PRESIDENT

SIR JAMES WOOD, VICE-PRESIDENT

A. E. PHIPPS, GEN. MANAGER G. D. BOULTON, ASST. GEN. MANAGER

H. T. JAFFRAY, ASST. GEN. MANAGER

Agents and Correspondents

## UNITED STATES

New York—Bank of the Manhattan Co.  
 Boston—National Shawmut Bank.  
 Philadelphia—Fourth St. National Bank  
 Buffalo—Marine Trust Co.  
 Chicago—First National Bank.  
 San Francisco—Wells Fargo Bank &  
 Union Trust Co.  
 Seattle—Seattle National Bank.  
 Minneapolis—First National Bank.

## GREAT BRITAIN and IRELAND

England—Lloyds Bank, Limited.  
 Scotland—The Commercial Bank of Scot-  
 land.  
 Ireland—Northern Banking Co., Limited,  
 Belfast, and Branches.  
 FRANCE, BELGIUM and  
 SWITZERLAND  
 Lloyds & National Provincial Foreign  
 Bank, Ltd.

Having as its correspondents the largest and strongest banks throughout the world, the Imperial Bank of Canada is in a position to afford the most efficient banking service.

With 212 branches in Canada our facilities for handling business throughout the Dominion are unexcelled.

## Bank of Liverpool & Martins Limited.

Head Office: 7, WATER STREET, LIVERPOOL.

London Office: 68, LOMBARD STREET, LONDON, E.C. 3.

Capital Subscribed ..... \$5=£1 \$93,955,600

Capital Paid Up and Reserves ..... 21,686,230

Deposits, etc., at 31st Dec., 1925 ... 299,098,130

379 BRANCHES AND SUB-BRANCHES.

*All descriptions of Banking, Trustee and Foreign  
 Exchange Business Transacted.*

The Bank is prepared to act as Agent for Foreign Banks  
 on usual Terms

# Banca Nazionale di Credito

Capital - - Lit. 300,000,000

HEAD OFFICE: MILAN, ITALY

Over 60 Branches and Agencies Throughout Italy



Correspondents  
in all the Principal Cities of the Kingdom

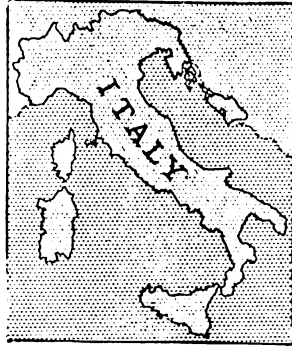
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Banking Business Transacted

Special Travelers' Letters of Credit and  
Money Order Departments

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**I**N EIGHTY commercial and industrial centers of Italy a branch of the Banca Commerciale Italiana performs all the functions of a local bank, with its services closely interwoven with the business affairs of the community it serves.

The New York Agency of this institution, therefore, brings to American bankers and business men an intimate knowledge of Italian commerce and industry obtained by constant and direct relationship with these eighty Italian business centers. Foreign branches and affiliations extend our service to England, France, Switzerland, Poland, Czecho-Slovakia, Austria, Hungary, Roumania, Jugoslavia, Bulgaria, Turkey and throughout South America. Facilities thus provided for American foreign trade are of exceptional breadth and scope.



## Banca Commerciale Italiana

Head Office, MILAN, ITALY

Authorized Capital Lire 700,000,000

Surplus Lire 300,000,000

**NEW YORK AGENCY, 62-64 WILLIAM STREET**

Telephone John 1000

*Organized*

## Banca Commerciale Italiana Trust Company

Capital \$1,000,000

Surplus \$500,000

**62-64 WILLIAM STREET, NEW YORK**

Telephone John 4666

*All Banking Facilities*

**A Native Bank in Peru**  
**for all Banking Operations**  
**BANCO ITALIANO**

LIMA, PERU

Established 1889

Capital Fully Paid Lp. 500,000,000  
 Surplus . . . Lp. 589,553,870

**BRANCHES**

Callao—Arequipa—Chincha Alta—Mollendo—Trujillo

*Representatives for the U. S. A.***Banca Commerciale Italiana**

Agency in New York - - 62-64 William Street

Phone: John 1000



**Commerz-und Privat-Bank**  
**Aktiengesellschaft**

(Established 1870)

**HAMBURG-BERLIN**

and

**Two hundred twenty other places throughout Germany***Capital and Surplus, R.M. 64,000,000***All Banking Transactions*****Extensive Trade Information Service***

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"HANSEATIC"

**The Banker and Tradesman** has for  
 over fifty years been the representative financial  
 and business weekly of Boston and New England.

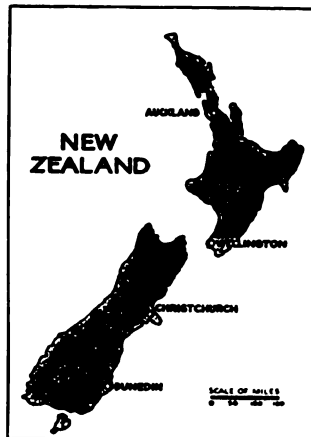
465 Main Street

- - Cambridge 39, Mass.



# The National Bank of New Zealand, Ltd.

Authorized Capital, \$30,000,000  
 Subscribed Capital, \$22,500,000  
 Paid-up Capital, \$ 7,500,000  
 Reserve Fund, \$ 7,350,000



## Head Office

8 Moorgate Street, London, E.C. 2

Manager, ARTHUR WILLIS

## Chief Office

In New Zealand at Wellington

General Manager, ALFRED JOLLY

83 Branches and Agencies Throughout New Zealand.

Bills of Exchange Collected. Wool and Produce Credits Arranged.  
 All Classes of Banking Business Undertaken.

# BARCLAYS BANK (DOMINION, COLONIAL AND OVERSEAS)

Head Office: 54, LOMBARD STREET, LONDON, E.C.3.

Formerly

Incorporated by  
 Royal Charter, 1836

**THE COLONIAL BANK**  
 with which are amalgamated

Reincorporated by  
 Act of Parliament, 1925

**THE NATIONAL BANK OF SOUTH AFRICA LIMITED**  
 and  
**THE ANGLO-EGYPTIAN BANK LIMITED**

|                          |             |
|--------------------------|-------------|
| Capital authorised ..... | £10,000,000 |
| Capital subscribed ..... | £ 6,975,500 |
| Capital paid up .....    | £ 4,975,500 |
| Reserve Fund .....       | £ 1,000,000 |
| Uncalled Capital .....   | £ 2,000,000 |

### London Offices:

29, Gracechurch Street, E.C.3; 37-39, King William Street, E.C.4;  
 Circus Place, London Wall, E.C.2; 111, St. Martin's Lane, Trafalgar  
 Square, W.C.2.

### Other Offices:

LIVERPOOL—25, Castle Street. Manchester—21, York Street  
 HAMBURG—Adolphsplatz 4.

NEW YORK (Agencies)—3, South William Street; 44, Beaver Street.

With over 400 Branches in

British West Indies, British Guiana, Egypt and the Sudan, Transvaal, Rhodesia, Cape  
 Province, Natal, Orange Free State, British West Africa, Swaziland, Portuguese East  
 Africa, South West Africa, Tanganyika, Nyassaland, Kenya Colony, Malta, Gibraltar,  
 Palestine and the Mauritius.

The Bank acts as Agent for Home, Colonial and Foreign Banks



# THE BANK OF TAIWAN, LTD.

Incorporated by Special Imperial Charter, 1899

**Head Office: TAIPEH, JAPAN**

**Capital Subscribed.....Yen 45,000,000**

**Capital Paid Up.....Yen 39,375,000**

**HIROZO MORI, Esq., President**

**Directors**

**GUNJI KAWASAKI, Esq.**

**DENKICHI TAKITA, Esq.**

**TADASU HISAMUNE, Esq.**

**MASAKAZU SHUTO, Esq.**

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**JAPAN—Tokyo (General Manager's Office), Kobe, Osaka, Yokohama.**

**TAIWAN—Giran, Heito, Kagi, Karenko, Keelung, Makong, Nanto, Shinchiku, Taichu, Tainan, Takao, Taito, Toen, Tansui.**

**CHINA—Amoy, Canton, Foochow, Hankow, Shanghai, Swatow.**

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**New York Office: 165 Broadway**

**K. YAMAMOTO, Agent**

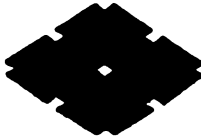
**London Office: 25 Old Broad Street**

**Cable Transfers, Drafts, and Letters of Credit issued; the Negotiation and Collection of Bills of Exchange and other Banking Business transacted through our various Branches as well as correspondents in all parts of the world; offers exceptional facilities for handling transactions in the Far East.**

# The Sumitomo Bank, Limited

Cable address: "Sumitobank" ESTABLISHED 1912  
(Successors to The Sumitomo Bank)

Capital Subscribed . . . . . Yen 70,000,000  
Capital paid up . . . . . " 50,000,000



## Head Office : OSAKA, JAPAN

BARON K. SUMITOMO, President

K. YUKAWA, Esq., Managing Director N. YATSUSHIRO, Esq., Managing Director  
S. IMAMURA, Esq., Managing Director

New York Agency, 149 Broadway, New York  
G. HIGASHI, Agent

### HOME OFFICES

|             |            |               |          |           |          |
|-------------|------------|---------------|----------|-----------|----------|
| Osaka (12)  | Tokyo (15) | Yokohama      | Kobe (3) | Kyoto (2) | Niigata  |
| Shimonoseki | Moji       | Hiroshima (2) | Hakata   | Yanai     | Onomichi |
| Kurume      | Kure       | Wakamatsu     | Kokura   | Nagoya    | Kumamoto |
|             |            |               |          |           | Okayama  |

Foreign Branches—Shanghai, New York, London, Hankow, San Francisco, Los Angeles, Bombay  
Affiliated Banks—The Sumitomo Bank of Hawaii, Ltd., Honolulu, T. H.; The Sumitomo Bank of Seattle, Seattle, Wash.; and The Sumitomo Bank of California, Sacramento, Cal.  
Bankers—National City Bank of New York, New York;  
Lloyds Bank, Ltd. London; Lloyds & National Provincial Foreign Bank, Ltd., Paris.

### Correspondents in All Important Places at Home and Abroad

The Bank buys, sells and receives for collection drafts and telegraphic transfers; issues Commercial and Travellers Letters of Credit available in all important parts of the world, and acts as Trustee for Mortgage Bond, besides doing general Banking Business.

# THE MITSUI BANK, LTD.

Capital Subscribed . . . . . Yen 100,000,000.00  
Capital Paid-Up . . . . . Yen 60,000,000.00  
Reserve Funds (June 1925). . . . . Yen 51,400,000.00



## Head Office : TOKYO, JAPAN

(No. 5 Honkawayacho, Nihonbashi-ku)

President

G. MITSUI, Esq.

Managing Directors

S. IKEDA, Esq. N. KIKUMOTO, Esq.

H. KAMESHIMA, Esq. R. IMAI, Esq.

New York Agency, 61 Broadway, New York City

### Home Branches:


Fukuoka, Hiroshima, Kobe, Kyoto, Marunouchi (Tokyo), Moji, Nagasaki, Nagoya, Nihonbashi (Tokyo), Osaka (4), Otaru, Shimonoseki, Wakamatsu (Kyushu), Yokohama

### Foreign Branches:

Bombay London New York Shanghai Sourabaya

# The Bank of Chosen

Incorporated by Special Charter of Imperial Japanese Government, 1909

|                          |   |                 |
|--------------------------|---|-----------------|
| Capital Subscribed . . . |  | Yen 80,000,000  |
| Capital Paid-Up . . .    |   | Yen 50,000,000  |
| Total Resources . . .    |   | Yen 660,000,000 |

## Head Office, Keijo (Seoul), Chosen (Korea)

Governor, K. NONAKA

Deputy Governor, S. SUZUKI

Y. KATAYAMA

Directors

I. IUCHI

M. HASHIMOTO

### FOREIGN DEPARTMENT: TOKYO

(All communications relating to the arrangements of correspondents and the Bank's general foreign business to be addressed to the Foreign Department)

#### Principal Branches:


CHOSŌN: (Korea) Chemulpo, Pyengyang, Wonsan, Fusan, Taiku.  
 MANCHURIA: Mukden, Dairen, Changchun, Newchang, Harbin, Antung.  
 JAPAN: Tokyo, Osaka, Kobe, Shimonoseki.  
 CHINA: Shanghai, Tsingtao, Tientsin, Tsinan.  
 SIBERIA: Vladivostok.

## New York Agency, 165 Broadway

H. YAMASHITA, Agent

# The Kajima Bank, Limited

Established in 1888

|                          |   |                   |
|--------------------------|---|-------------------|
| CAPITAL SUBSCRIBED       |  | Yen 30,200,000.00 |
| CAPITAL PAID UP . . .    |   | 18,875,000.00     |
| RESERVE FUNDS . . .      |   | 5,900,000.00      |
| DEPOSITS (June 30, 1925) |   | 172,915,129.34    |

|   |   |
|---|---|
| Kaisei Hirooka, Esq., President           | Chusuke Yoshii, Esq., Managing Director |
| Yukinori Hoshino, Esq., Managing Director | Seijiro Gien, Esq., Director            |
| Seishichi Kawakami, Esq., Managing Dir.   | Tadanosuke Emura, Esq., Director        |
| Hikotaro Ohmura, Esq., Director           | Kyuemon Hirooka, Esq., Auditor          |
| Shikazo Sato, Esq., Director              | Kin-ichiro Hoshijima, Esq., Auditor     |
| Manroku Matsui, Esq., Auditor             |   |

## Head Office, Osaka, Japan

#### Principal Branches:

Tokyo Kyoto Kobe Okayama Hiroshima Fukuyama Tokuyama

## General Banking, Foreign Exchange and Trust Business Transacted

#### New York Correspondents

Yokohama Specie Bank, Ltd.  
 Bank of Taiwan, Ltd.  
 American Express Co.  
 Irving Bank-Columbia Trust Co.  
 Guaranty Trust Company of New York

#### London Correspondents

Yokohama Specie Bank, Ltd.  
 Bank of Taiwan, Ltd.  
 Midland Bank Ltd.  
 Bank of London and South America, Ltd.

# SKANDINAVISKA KREDITAKTIEBOLAGET

Established in 1864

GOTHENBURG      STOCKHOLM      MALMÖ

Branches  
In All Parts of Sweden

PAID-UP CAPITAL AND RESERVES  
KR. 182,000,000

Telegraphic Address: Kreditbolaget

Foreign Exchange bought and sold, bills collected, deposit  
and current accounts opened and all kinds of banking  
business transacted

## Commercial Bank of Greece

(A Limited Liability Company registered in Athens)

*Head Office: Athens*

*Branches: Piraeus, Argos, Pyrgos, Patras, Corfou, Cephalonia, Nauplie,  
Vostizza, Calamata, Syra, Chio, Candia, Volo, Salonica, Larissa,  
Triccala, Mytilene, Canea, Zante, Plomari and Tripolitza*

*ASSOCIATED BANK in LONDON*

**The Commercial Bank of The Near East, Ltd.**

4 London Wall Buildings, E. C. 2

*with branch in CONSTANTINOPLE*

*Correspondents in the principal towns of Greece and in foreign countries  
throughout the world*

**GENERAL BANKING BUSINESS TRANSACTED**

Collections, Letters of Credit, Cable Transfers, Current  
and Term Deposits, Etc.

**Capital and Reserves . . Dr. 58,106,143**

of the above Dr. 25,000,000 are represented by assets of £1,000,000 evaluated at Dr. 25

# Nederlandsche Handel-Maatschappij.

(NETHERLANDS TRADING SOCIETY).

Established by Royal Charter A.D. 1824.

Capital Paid up.....f.80,000,000 Neth. Currency (£6,666,666)  
 Statutory Reserve Fund.....f.20,536,861 “ “ (£1,711,405)  
 Extraordinary Reserve Fund f.22,660,000 “ “ (£1,888,333)

Head Office: AMSTERDAM.

Branches in HOLLAND: ROTTERDAM, THE HAGUE.

Branches in the NETHERLANDS INDIES: BATAVIA, SOURABAYA, SAMARANG, MEDAN, and further Principal Ports.

Branches in the STRAITS SETTLEMENTS, BRITISH INDIA, CHINA and JAPAN: SINGAPORE, PENANG, RANGOON, CALCUTTA, BOMBAY, HONGKONG, SHANGHAI and KOBE.

Grant Drafts and Issue Letters of Credit on all their Branches and Correspondents in the East, on the Continent, on Great Britain, Africa, America and Australia, and transact Banking Business of every description.

LONDON CORRESPONDENTS:  
 The National Provincial Bank, Ltd., LONDON.

# The Union Bank of Australia, Limited

Established 1887. Incorporated 1880.

Capital Authorized and Issued.....£9,000,000  
 Capital Paid-Up .....£3,000,000  
 Reserve Fund .....£3,350,000  
 Reserve Liability of Proprietors £6,000,000

Head Office—71, CORNHILL, LONDON, E. C. 3

Manager—W. J. ESSAME      Assistant Manager—W. A. LAING  
 Secretary—F. H. McINTYRE

195 Branches throughout Australia and New Zealand, viz.:

In Victoria, 47; In South Australia, 15; In New South Wales, 43; In Western Australia, 20; In Queensland, 19; In Tasmania, 3; In New Zealand, 46.

Agents and Correspondents in all parts of the World

The Bank offers facilities for the transaction of every description of Banking business in Australia and New Zealand.

Bills negotiated or sent for collection. Commercial and Circular Credits issued available throughout the World.

# MIDLAND BANK

LIMITED

Established 1836

*Chairman:*

THE RIGHT HON. R. MCKENNA

*Joint Managing Directors:*

FREDERICK HYDE      EDGAR W. WOOLLEY

## Statement of Condition

*December 31st, 1925*

### RESOURCES

\$5 = £1

|   |                |
|---|----------------|
| Cash in hand and Due from Banks.....\$                            | 353,083,306.00 |
| Money at Call and Short Notice.....                               | 93,396,746.73  |
| Investments .....   | 173,956,378.69 |
| Bills Discounted .....  | 209,440,111.23 |
| Advances .....  | 983,737,739.21 |
| Liabilities of Customers for Acceptances<br>and Engagements ..... | 178,738,950.52 |
| Bank Premises .....   | 33,185,847.18  |
| Investments in Affiliations .....                                 | 31,889,753.89  |

### LIABILITIES

|                                   |                  |
|-----------------------------------|------------------|
| Capital Paid up .....             | 63,326,920.00    |
| Surplus .....                     | 63,326,920.00    |
| Deposits .....                    | 1,752,036,042.93 |
| Acceptances and Engagements ..... | 178,738,950.52   |

Together with its affiliations the Midland Bank operates 2,300 branches in Great Britain and Northern Ireland, and has offices in the Atlantic Liners *Aquitania*, *Berengaria* and *Mauretania*. The Foreign Branch Office at 196 Piccadilly, London, is specially equipped for the use and convenience of American visitors in London.

HEAD OFFICE: 5 THREADNEEDLE STREET, LONDON, E. C. 2



# Commonwealth Bank of Australia.

Guaranteed by the Australian Commonwealth Government

## HEAD OFFICE, SYDNEY



Head Office  
Sydney, N. S. W.

Branches in all the principal towns and cities of Australia, at London (2), and Rabaul.

A Savings Bank Department at all Branches and 3,355 Savings Bank Agencies at Post Offices throughout the Commonwealth of Australia, Territories of Papua and New Guinea, Solomon Islands Protectorate and other parts of the Pacific.

### *Agents and Correspondents throughout the World*

#### Banking and Exchange Business

of every description transacted within the Australian Commonwealth, United Kingdom, United States, Canada and Abroad

December 31st, 1924

|                       |   |   |                         |
|-----------------------|---|---|-------------------------|
| General Bank Deposits | - | - | \$144,988,059.57        |
| Other Items           | - | - | 41,424,536.18           |
| Savings Bank Deposits | - | - | 204,743,071.46          |
| Note Issue Department | - | - | 284,451,130.00          |
|                       |   |   | <u>\$675,606,797.21</u> |

Cable Remittances made to, and drafts drawn on United States, Canada and foreign places direct

Letters of Credit issued to any part of the World

Bills Negotiated or Forwarded for Collection

Current Accounts Opened                      Interest on Fixed Deposits

Advances made against approved Securities

**JAMES KELL, Esq., Governor**



THE  
**NATIONAL BANK OF AUSTRALASIA**

LIMITED

ESTABLISHED . . . 1858.

Head Office: MELBOURNE

|                                  |               |
|----------------------------------|---------------|
| Authorized Capital (@ \$5 to £1) | \$50,000,000  |
| Capital Paid Up                  | \$20,000,000  |
| Reserve Fund                     | \$11,500,000  |
| Total Assets March, 1925         | \$205,888,875 |

With its 469 well spread offices the Bank provides a complete banking service throughout Australia, and is well equipped for the transaction of all classes of foreign business.

|   |                      |                        |
|---|----------------------|------------------------|
| Chief Manager   | Deputy Chief Manager | Chief Inspector        |
| <b>E. H. WREFORD</b>  | <b>JAMES WILSON</b>  | <b>J. A. G. HADLEY</b> |
| Inspector and Manager, Foreign Department: <b>E. J. OSBORNE</b> |                      |                        |

London Office - 7 LOTHBURY, E.C.2.

**English, Scottish & Australian Bank,**  
 Limited

|   |              |
|---|--------------|
| Authorized Capital . . . . .            | \$18,750,000 |
| Paid-up Capital . . . . .               | \$11,250,000 |
| Further Liability of Shareholders . . . | \$7,500,000  |
| Reserve Fund . . . . .                  | \$9,750,000  |

**HEAD OFFICE:—5, GRACECHURCH STREET, LONDON, E.C. 3**  
 and 384 Branches and Agencies in Australia

**Chief Office in Australia—Collins Street, Melbourne**

BANKING AND EXCHANGE BUSINESS of every description transacted with Australia. **BILLS NEGOTIATED** or sent for **COLLECTION** **REMITTANCES** made by **TELEGRAPHIC TRANSFER**. **WOOL** and **PRODUCE CREDITS** arranged. **LETTERS of CREDIT** and **DRAFTS** issued on all the Branches of the Bank.

**Chief Agents in United States**

**NEW YORK—Guaranty Trust Company of New York.**  
**CHICAGO—First National Bank.**  
**SAN FRANCISCO—Crocker National Bank.**

**E. M. JANION, Manager.**



# THE BANK OF AUSTRALASIA

(Incorporated by Royal Charter, 1835)

**Paid-up Capital - - - - - £4,000,000**  
**Reserve Fund - - - - - £3,760,000**  
**Reserve Liability of Proprietors**  
**under the Charter - - - - - £4,000,000**  
**£11,760,000**

**Head Office, 4 Threadneedle Street, London, E. C. 2**

**EDMUND GODWARD, Manager**

**West End Branch, 17 Northumberland Avenue, London, W. C. 2**

## Branches in Australia

### VICTORIA

Melbourne: 394 &  
396 Collins St.: 384  
Elizabeth St.: 71  
Collins St. East

Brunswick  
Burnley  
Coburg  
Collingwood  
Elsternwick  
Footscray  
Malvern  
Middle Brighton  
Port Melbourne  
Prahran  
St. Kilda  
Williamstown

Bairnsdale  
Ballarat  
Benalla  
Bendigo  
Bright  
Castlemaine  
Charlton  
Chiltern  
Colbran  
Corryong  
Drouin  
Euroa  
Fish Creek  
Foster  
Geelong  
Katamatite  
Kingston  
Koroit  
Korong Vale  
Korumburra  
Leongatha  
Mirboo North  
Mooroopna  
Morwell  
Nathalia  
Numurkah  
Port Fairy (Belfast)  
Rutherglen

### Victoria, Contd.

St. James  
Sale  
Shepparton  
Stawell  
Strathmerton  
Tallangatta  
Terang  
Traralgon  
Tungamah  
Waiwa  
Warragul  
Warrnambool  
Wedderburn  
Welshpool  
Wycheproof  
Yackandandah  
Yarram  
Yarrowonga

### NEW SO. WALES

Sydney: Martin  
Place: 85 Pitt St.:  
555 George St. So.:  
Wentworth Ave.:  
236 William Street  
Bondi Junction  
Castlereagh St.  
Hurstville  
Kogarah  
Leichhardt  
Marrickville  
Newtown  
North Sydney  
(84 Mount St.)  
Petersham

Albury  
Ballina  
Bathurst  
Bega  
Bellingen  
Berrigan  
Blayney  
Broken Hill  
Cessnock

### N. S. Wales, Contd.

Cootamundra  
Corowa  
Crookwell  
Dorrigo  
Dubbo  
Forbes  
Glen Innes  
Goulburn  
Grafton  
Grenfell  
Hamilton  
Howlong  
Jerilderie  
Kempsey  
Kyogle  
Lismore  
Maitland (West)  
Maitland (East)  
Moree  
Murrumbidgee  
Murrumbidgee  
Narrabri  
Narromine  
Newcastle  
Nowra  
Orange  
Parkes  
Peak Hill  
South Grafton  
Stroud  
Tamworth  
Tullamore  
Wagga-Wagga  
Wee Waa  
Young

### QUEENSLAND

Brisbane  
Fortitude Valley  
Cairns  
Charters Towers  
Chillagoe  
Cooyar  
Crow's Nest  
Herberton

### Queensland, Contd.

Hughenden  
Ipswich  
Kingaroy  
Longreach  
Maryborough  
Oakey  
Richmond  
Rockhampton  
Roma  
Toowoomba  
Toowoomba  
Townsville  
**SO. AUSTRALIA**  
Adelaide  
Kooronga  
Mount Barker  
Port Lincoln  
Port Pirie  
Wirrabara  
**WESTERN AUSTRALIA**

Perth  
Albany  
Beverley  
Bunbury  
Fremantle  
Gnowangerup  
Kalgoorlie  
Mooro  
Northam  
Wagin  
Wickepin  
**TASMANIA**  
Hobart  
Burnie  
Deloraine  
Devonport  
Fingal  
Latrobe  
Launceston  
Sheffield  
Stanley  
Ulverstone  
Wynyard

## Branches in New Zealand

Wellington  
Aahburton  
Auckland  
Blenheim  
Christchurch  
Dannevirke  
Dunedin  
Eltham  
Featherston  
Felding  
Gisborne  
Gore

Hamilton  
Hastings  
Hawera  
Invercargill  
Kaiaia  
Levin  
Mania  
Mangonui  
Marton  
Masterton  
Matamata  
Morrisville

Napier  
New Plymouth  
Otaki  
Palmerston Nth.  
Patea  
Raetihi  
Rotorua  
Stratford  
Taihape  
Taumarunui  
Tauranga  
Te Aroha

Te Kuiti  
Temuka  
Te Puke  
Timaru  
Waipawa  
Waipukurau  
Waioa  
Wanganui  
Waverley  
Whakatane  
Whangarei

## Principal Correspondents in North America

### CANADA:

Bank of Montreal  
Canadian Bank of Commerce

### UNITED STATES:

Bank of New York & Trust Co., New York  
Hanover National Bank, New York  
National Bank of Commerce, New York

### UNITED STATES, Contd.:

National City Bank of New York  
Continental & Commercial Nat. Bk. of Chicago  
Illinois Merchants Trust Co., Chicago  
National Bank of the Republic, Chicago  
Franklin Fourth Street Nat. Bk., Philadelphia  
Wells Fargo Bank & Union Trust Co., San Francisco

Offer facilities for the transaction of every description of Banking Business in Australia and New Zealand. Negotiate or Collect Bills. Issue Telegraphic Transfers, Letters of Credit and Drafts, also Circular Notes and Circular Credits, on all parts of the world

# THE STANDARD BANK OF SOUTH AFRICA, LIMITED

(with which is incorporated the  
AFRICAN BANKING CORPORATION, LIMITED)

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

|                    |   |   |   |   |   |                    |
|--------------------|---|---|---|---|---|--------------------|
| Authorised Capital | - | - | - | - | - | <b>£10,000,000</b> |
| Subscribed Capital | - | - | - | - | - | <b>£8,916,660</b>  |
| Paid-Up Capital    | - | - | - | - | - | <b>£2,229,165</b>  |
| Reserve Fund       | - | - | - | - | - | <b>£2,893,335</b>  |
| Uncalled Capital   | - | - | - | - | - | <b>£6,687,495</b>  |
|                    |   |   |   |   |   | <b>£11,809,995</b> |

**BANKING BUSINESS TRANSACTED  
IN ALL PARTS OF THE WORLD**

**HEAD OFFICE: 10, Clements Lane, Lombard Street, London, E.C. 4.**

London Wall Branch : 63, London Wall, E. C. 2

West End Branch: 9 Northumberland Avenue, W. C. 2 (Opposite the Royal Colonial Institute)

Rotterdam Branch : 15, Coolingsingel

Hamburg Agency : Bank of British West Africa, Ltd., 49-53, Schauenburgerstrasse

**Branches and Agencies Throughout  
SOUTH and EAST AFRICA**

**New York Agency: 67 Wall Street**

ROWLAND SMITH and R. GIBSON, Agents

*Representing in* } Bank of British West Africa, Ltd.  
*New York* } Bank of New South Wales

**The New York Agency**

offers to Bankers and Merchants throughout the United States and  
Canada its unsurpassed service for facilitating trade with  
the markets of Africa, Australia and New Zealand.

ESTABLISHED 1817

# BANK OF NEW SOUTH WALES

## AUSTRALIA

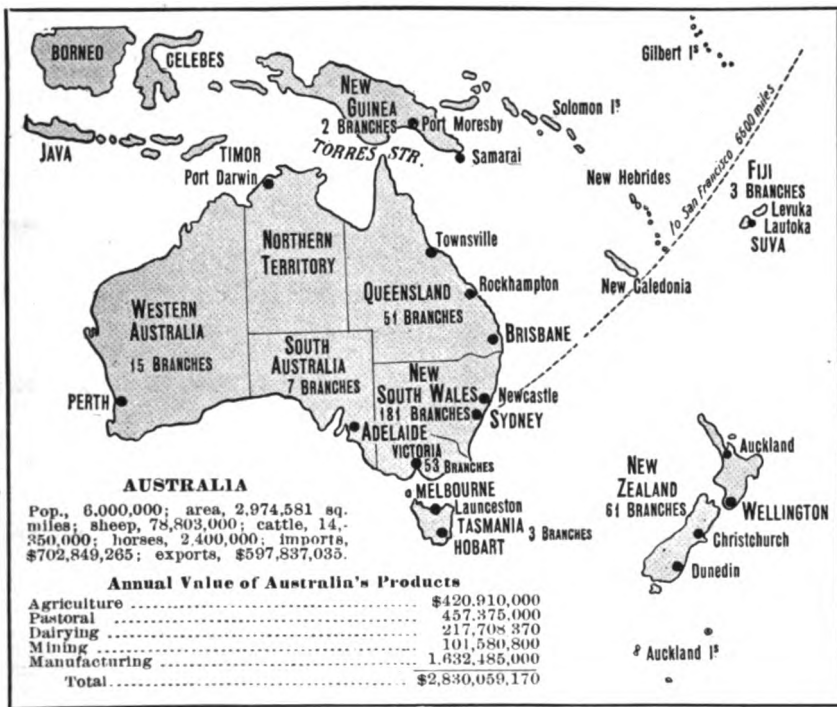
|  |   |              |
|--|---|--------------|
| Paid-up Capital . . .                  |  | \$30,000,000 |
| Reserve Fund . . .                     |   | 22,000,000   |
| Reserve Liability of Proprietors . . . |   | 30,000,000   |
|  |   | \$82,000,000 |

**Aggregate Assets, 30th Sept., 1925, \$400,047,015**

**OSCAR LINES, General Manager**

414 BRANCHES AND AGENCIES

414 BRANCHES AND AGENCIES



**Head Office—George St., Sydney      London Office—29 Threadneedle St., E. C.**

### 414 BRANCHES AND AGENCIES

In all the Australian States, New Zealand, Fiji, Papua (New Guinea) and London

Cable remittances made to and drafts drawn on Foreign Places DIRECT

Foreign Bills Negotiated and Collected.


Letters of Credit Issued.

**NEGOTIABLE THROUGHOUT THE WORLD**

The bank collects for and undertakes the agency of other banks and transacts every description of Australian Banking Business

**Agents in New York :** Standard Bank of South Africa, Ltd.  
 National City Bank of New York  
 National Bank of Commerce in New York

**Agents in San Francisco, Bank of California National Association, Crocker National Bank and Anglo and London Paris National Bank**

ORE than two hundred million shares of stock were transferred or registered during 1925 by this Company, as transfer agent or registrar for more than five hundred leading corporations

Such a volume of transactions calls for exceptional facilities—and it is an exceptional service which this Company renders in every trust capacity. We act as fiscal agent, transfer agent, registrar, trustee, etc., for corporations and governments; and as executor, trustee, administrator, guardian, for individuals.

## Guaranty Trust Company of New York

NEW YORK

LONDON

PARIS

BRUSSELS

LIVERPOOL

HAVRE

ANTWERP

# THE BANKERS MAGAZINE

ELMER H. YOUNGMAN, Editor

EIGHTIETH YEAR

APRIL 1926

VOLUME CXII, NO. 4

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## Editorial Comment

### Recent Banking Mergers

**C**LEARLY enough there exists at present a marked tendency toward banking consolidation. This is shown by the recent merger of the Mechanics and Metals National Bank with the Chase National Bank in New York, the merger of the Girard National with the Philadelphia National in Philadelphia, and by the purchase by the National City Bank of New York of the Peoples Trust Company of Brooklyn. These recent mergers were preceded some time ago by a number of others in various cities, indicating a widespread tendency. Possibly some of the later mergers were prompted by a desire to be in better position to establish branches in case the pending branch banking bill should be enacted into law. A perfectly legitimate explanation of this tendency toward banking concentration is found in the absolute necessity of being in a position to handle the loans offered by the constantly enlarging business concerns of the country. As the size of other business corporations increased it was very natural that there should be a corresponding increase in the size of the banks. Very likely the movement toward larger banking units has received some acceleration by the desire of the banks to cut down the proportion of their operating expenses.

In view of all the circumstances, the tendency toward bigger banks is a natural development of the times. It has

not progressed to an extent that would incur the suspicion of an attempt to form a banking monopoly, nor is it likely to do so. With some 30,000 banks in the country it will be a difficult undertaking to get 50 per cent. of the number to enter into a combination of any kind. The individual banks value their independence too much.

New York is yet far from having such a degree of banking concentration as exists in London. The recent consolidations in New York have been largely counterbalanced by the organization of a number of new institutions, and there has been in recent months an increase rather than a diminution in the number of existing banks.



### The Proposed New York Housing Bank

**M**UCH interest has been aroused in financial circles by the proposal of the Governor of New York to create a housing bank, designed to furnish funds for building low cost houses and cheaper apartments. In asking for the establishment of this new type of financial institution the Governor points out that building operations of the kind he considers desirable are no longer profitable. This is attributed largely to the high rates at present prevailing for building loans, although high wages and the cost of building materials are admitted to be

important factors. High taxes and inefficient government are not mentioned, although it could probably be shown that these factors are quite as important as any of the others in rendering certain building operations unprofitable and even somewhat hazardous. May not the high rate capital requires for building loans be rather an index of this lack of profit than its cause? If the cost of building materials were more reasonable, if wages were not so high, and if profits were not so largely absorbed by excessive taxation, is there good reason for believing that profits would not be so well assured as to bring forth an abundant supply of capital for building operations and at low rates?

The fact is that by heavy taxation and legislative attempts to curtail rental charges the building of residences and apartments of the type the Governor desires has been rendered highly speculative if not certainly unprofitable, and this must explain, to a considerable extent at least, the reluctance of builders to extend their operations in this direction and also account for the high rates for loans on this class of houses.

No one will question the desirability of securing better homes for the masses of the people of this country. But this could be better assured by the free play of economic laws than by a semi-socialistic scheme like the proposed New York housing bank.



### Decline in the Stock Market

**E**ARLY days in March witnessed a rapid decline in security prices in New York, the sharpest decline coinciding very closely with the announcement of the failure of the Interstate Commerce Commission to approve the Nickel Plate merger. As is usual in case of such coincidences, the rumor got abroad that there was a "leak" in regard to this action, which had the effect of giving the bear operators the opportunity they had evidently

been awaiting for some time. This may or may not be a true explanation of the recent Wall Street slump. Probably, as a matter of fact, had the decision of the Interstate Commerce Commission been other than it was, a marked downward movement in the stock market could not have been much longer postponed. Ever since last summer an almost uninterrupted rise had been in progress, which had, in many cases, carried securities to new high levels, and a reaction was about due irrespective of the decision in regard to the proposed Nickel Plate merger. Indeed, the latter event hardly bears the serious interpretation that the Wall Street slump would imply. It was based rather upon the financial structure of the proposed merger than on the principle of the plan itself. The pessimistic view which Wall Street seems to have taken of the matter would be justified only in case the decision in this particular instance warranted the inference that it foreshadowed a general abandonment of the policy of the merger of railway systems already authorized by Congress. This does not appear to be a fair deduction from the Interstate Commerce Commission's decision.

Some criticism has been made of the Federal Reserve Banks for permitting, if not directly fostering, the heavy stock speculation and the continuous mounting of prices in recent months. Whether this criticism is just or not, it can hardly be extended to cover the recent decline in the market, for the Federal Reserve Banks have done nothing to precipitate the fall in the prices of stocks.

Comparatively trivial incidents often start movements of prices up or down in Wall Street. The great sustaining forces of values consist in stable economic and political conditions, good crops, active industry and trade. Conditions are too favorable to justify the belief that Wall Street's pessimism will be lasting. In fact it lasted about twenty-four hours.

## The Development of Instalment Buying

**B**UYING goods of various kinds on the instalment plan has developed to an extent that will probably surprise those who have not made a close study of this subject. It appears from a survey recently made by the Farmers' Loan and Trust Company of New York that in 1924 the products of various industries sold on this plan represented a value of \$3,293,411,878, of which automobiles were responsible for \$2,182,561,878, furniture coming next with \$765,000,000, followed by \$100,000,000 for jewelry, \$66,000,000 for washing-machines, \$56,000,000 for phonographs, \$44,000,000 for vacuum cleaners, \$40,000,000 for pianos, and \$39,000,000 for radios.

The objection that instalment buying has seriously interfered with the saving habits of the people finds no support in this survey. It is shown that savings bank deposits increased from \$14,872,000,000 in 1920 to \$23,134,000,000 in 1925, and life insurance in force from \$35,091,000,000 to \$72,000,000,000. It further appears that between 1918 and 1925 total wages and salaries paid by all branches of industry rose from \$32,000,000,000 to \$40,000,000,000. The report made by the Farmers' Loan and Trust Company points out that it is from the great reservoir of income and savings that instalment buying is proceeding.

The chief criticism levelled against this method of purchasing goods is that it encourages extravagance and reckless buying of luxuries. As time goes on, with the increasing wealth of the country and the constant advancement in the standard of living, the difficulty of defining luxuries and necessities becomes greater. Doubtless, the ascetic could show that most of the things commonly regarded as necessities could be dispensed with. But this view finds an ever-diminishing degree of support. Perhaps a luxury is not so much an article that one can dispense with as

it is something that one cannot afford. If instalment buying really unduly stimulates the acquisition of articles of this sort, it is open to criticism. But it must not be lost sight of, on the other hand, that the majority of the articles bought on the instalment plan have greater utility than many things for which cash is paid outright.

No doubt there are faults connected with instalment buying that should be corrected, but it has now become such an important factor in the distribution of several kinds of goods and in banking that any general curtailment of its use would cause widespread derangement. The survey made by the Farmers' Loan and Trust Company throws much light on this important subject.



## Income Tax Relief

**O**NE of the many paragraphs included in the 1926 Tax Revision Act crowned a six years' campaign by the National Foreign Trade Council and American Chambers of Commerce abroad to relieve American citizens engaged in business in foreign countries from the provisions of the income tax.

The citizens of foreign countries do not pay income tax on incomes earned during their residence abroad, and by the new law American foreign traders are placed on a par with their competitors. Some of the classifications of Americans thus relieved from income tax, are as follows: exporters, importers, sales managers, and the business force generally of American firms situated in the foreign field, Americans employed in banking, insurance, accounting, freight forwarding, branch manufacturing and assembling, engineering, foreign exchange and similar technical work, professional men, such as lawyers, doctors, dentists, etc., employes of shipping companies, retail and wholesale merchants and educators.

The terms of the paragraph provide that Americans who are bona fide non-



residents during six months or more of the taxable year shall not be taxable upon income earned in the country of residence.

The National Foreign Trade Council, the United States Chamber of Commerce, the American Manufacturers Export Association and other organizations have urged this legislation for several years. The tax involved has not been large, but the irritation caused by the fact that Americans have been the only foreign traders engaged abroad who have had to pay income tax to their own Government has made it difficult to secure the best type of Americans for representation in the foreign field. The recognition of the principle that American citizens abroad should be put on an equal footing with their competitors in their efforts to promote our foreign trade is of far-reaching value, since it relieves them from what was in effect double taxation; that is, they had to pay an income tax in the country where they were domiciled and to their own Government as well. The existence of this injustice no doubt gave rise to the employment of various subterfuges to avoid it, for which the provocation has now been removed. Americans compelled to reside abroad in order to carry on business operations do not regard their exile from home with sufficient favor to make them accept double taxation without protest. But, aside from this, so long as American foreign business representatives were taxed, while others were not, it virtually acted as a discrimination against our trade representatives stationed abroad. That it required a six years' campaign to remove this discrimination testifies to the slowness of Congress to act on measures plainly in the interest of developing American foreign trade. The failure to take effective means to relieve American travellers of exorbitant and discriminatory passport and vise fees is another case in point for which responsibility rests squarely upon the shoulders of the American Government.

## A Valid Criticism of the McFadden Bill

**I**N commenting on the McFadden Bill, in the February number of *THE BANKERS MAGAZINE*, J. F. Sartori, president of the Security Trust and Savings Bank, Los Angeles, California, said:

"A most serious situation has persisted in the United States during the last five years, as revealed by the fact that more than 2000 unit banks have failed during that period, and failures are continuing at the rate of about two for every business day. If there is any emergency in the country it is to be found in the number of failures of banks. If the McFadden Bill is an emergency measure it is strange that there is no provision in it designed to remedy this very serious situation. Nowhere in the bill are there any provisions designed to prevent the continuance of this deplorable condition. Nowhere in it are there provisions for increasing the soundness of operations of the national banks or the safety of depositors. Nowhere is there any provision for larger capitalization of national banks, and it is patent that most of the failures have been of small banks inadequately capitalized. Nowhere is there a provision requiring an increase of capital as deposits increase."

The last sentence used by Mr. Sartori in his criticism of this measure deserves careful attention. In this statement he puts his finger on what must be justly considered as a fatal weakness in the American banking system, and one that may fairly be charged with responsibility for the large number of bank failures.

Banks are watchful enough to see that their dealers are not expanding their business too much in proportion to their capital. But they fail to apply this correct principle to their own business. A study of bank statements will show that, in far too many instances, deposit liabilities have been extended far beyond the limits of safety

in proportion to capital. This practice has become, in fact, so widespread as to justify the statement that it is the rule rather than the exception; that bankers are generally indifferent to the danger it involves; and that Congress is equally unconcerned.

It must not be overlooked, however, that the better-managed banks fully understand the wisdom of increasing their capital equipment with the growth of business and have acted accordingly.

Mr. Sartori has rendered the banking business a timely service, by pointing out accurately a situation that loudly calls for a remedy.



### Commission on Loans for Out-of-Town Banks

**E**FFECTIVE from March 1, an amendment to the constitution of the New York Clearing House Association provides that hereafter member banks and non-member banks clearing through members will charge 5 per cent. of the amount received for interest on all street loans made for others, whether in their own names or otherwise. As this charge is to be but 5 per cent. of the interest received, it is hardly large enough to act as a check on loans made for out-of-town banks. Prior to the adoption of the rule, the New York banks were free to charge their correspondents whatever they thought proper, or to make no charge at all. This practice is now changed so that all banks must make a uniform charge of 5 per cent. of the interest they may receive on the loans. The charge was imposed on the ground that it constitutes a proper equivalent for the service rendered.

Often, when local business is slack, and the banks outside the larger financial centers find themselves in possession of a superabundance of funds, they can make a profit by sending these funds to New York to be loaned on call. Aside from the profit derived, there is always an advantage to a bank

in having funds at call in New York on account of quick availability and without disturbing the local bank's credit line.

While responsibility for Wall Street speculation has been usually ascribed to the New York banks—a responsibility from which they have never sought to escape—it must be apparent that this is a joint responsibility attaching in part to the banks of the country generally, which make a practice of sending their funds to New York to be loaned out on call. Political criticisms of this practice have never convinced the out-of-town banks of its wickedness.



### Signs of National Hysteria

**R**ECENT spectacular events in Wall Street serve to direct fresh attention to what seems to have become a distinctive American trait—the tendency to do things by fits and starts, and to display a more or less hysterical state of mind in the face of happenings that might well be regarded with unconcern. National prohibition has not sobered us mentally whatever it may have done physically. The craving for excitement, with every new concession to its demands, grows always more insistent that previous limitations in the attempts to satisfy its insatiable appetite shall be outdistanced. The purveyors of amusements and of the lurid types of literature are hard put to it in making their efforts keep pace with this morbid demand, although it must be admitted that their labors are diligent and their inventive powers immense. No fantastic realm of the imagination has been left unexplored, no garbage-box has remained unemptied, in the attempt to minister to this unhealthy craving. The motion picture has plumbed the depths of sensationalism, the modern play has put the dramas of Wycherley and Congreve in the class of harmless Sunday school dialogues, while too many of the current novels, newspapers and magazines

may be justly reproached with no other aim than to arouse and stimulate the most degraded passions of humanity and then to fatten on the vicious demand they have created.

These ministrings to hysteria could never have attained their present degree of success but for some active or latent characteristic of the American people that makes them responsive to such vicious appeals.

From these hysterical tendencies our business and banking operations are, unhappily, not exempt, as witness the happenings of 1893, of 1907 and 1920, with many less severe fluctuations in between these dates.

It can hardly be expected that production, trade and exchange can proceed uninterruptedly without frequent and even violent changes, since there are many real and serious influences which must affect these operations one way or another. But surely a more equable frame of mind is susceptible of slow development, and is greatly to be

preferred to the prevailing hysteria.

If one may not attain composure, as Browning did, by smiling at the restlessness of humanity as contrasted with the rest of the Creator, nor gain equipoise by contemplating nature's unhurried processes, nor reach tranquillity of mind through contemplation of "the serene and shining pathway of the stars," there exist in the commonplace experiences of life manifold grounds for suppressing hysterical tendencies at their outset. We need not go to that opposite extreme which would have us attain complete mental peace by intently looking at our own noses, nor copy that physical and mental sluggishness which is supposed to be characteristic of the peoples of certain countries; but Americans do need to take stock of their restless tendencies, especially where these result in no good to themselves or to others. Our sudden ups and downs in business and in the securities market are in part due to unwarranted brainstorms.



## Thrift Week in Davenport

**A**LL barriers set up by competition in business were bridged by banks throughout the United States during the 1926 National Thrift Week. Banks lent their help in supporting other interests, while private business interests and corporations dedicated part of their advertising to friendly "puffs" for banking and all in the name of an enfolding ideal, Thrift.

At no point was there a more extensive generosity shown toward other interests by the banks than at Davenport, Iowa, according to a statement of the National Thrift Committee of the Y. M. C. A. There, in a series of daily display advertisements in local newspapers, the Associated Banks of Davenport lent their united voice to an espousal of the thrift idea. And notable among the statements was one on life insurance, which, overlooking all

competitive elements, declared, "Insurance is glorified thrift—the final evidence of a man's love and devotion to that hallowed little group that looks to him for protection."

Advertisements also were devoted to encouragement of home building, and other features of the ninth annual thrift program. Of the ideal of thrift itself, the associated banks said:

"Thrift is wise planning, wise saving, wise spending. Thrift is a mighty means of bringing success and happiness to you and your family.

"Decide now that thrift will guide your course during the next year, and January 18, 1927, should see you not only more prosperous but happier and more contented. Join in the celebration of Thrift Week—follow its teachings. See for yourself how thrift helps."

# Have You a Picture of Your Bank?

By S. F. Clabaugh

Vice-president City National Bank, Tuscaloosa, Ala.

**H**AVE you a picture of your bank? Not a photograph of your building, but a picture of the bank itself, of all of its features, good and bad, and how they compare with other banks in your city, with the banks of your district and of the country as a whole—your earnings, your losses, your expenses, your net profits, in actual amounts and in percentages, and all the various ratios of your statement.

Have you a picture of how this year compares with every other year in the history of your bank; how this month compares with last; and today with yesterday—a moving picture, if you please. Such a picture can be made of your bank, whether large or small. The trouble and expense are negligible; the benefits and advantages, tremendous.

The information stored away in hundreds of books is visualized on a single page—for your officers, your directors, your employees. Not only is the information given, but its significance is readily apparent.

## *A Labor Saving Device for the Manager*

These pictures are called graphic records. They are the greatest aid to executive control and the first labor saving device ever invented for the manager.

Commerce and industry have made use of them for some time, a use that is rapidly increasing as their utility, convenience and even necessity become more apparent in our modern industrial organization. Banks, too, have come to use them in recent years. No originality, therefore, is claimed for the suggestion here. But their use thus far has been confined to the larger banks, for academic and statistical purposes. The purpose of this paper is

to show that they are entirely feasible for small banks and serve a most practical purpose.

The accompanying charts are selected from some twenty-five prepared by a bank with a capital, surplus and undivided profits of \$350,000 and total resources of less than \$3,000,000. It was not contemplated at first to make more than a very few simple charts, dealing, for the most part, with the record of earnings. But the simplicity and advantage of graphic records became so apparent that the list was extended to include many subjects.

Almost any record worth keeping is worth charting. It takes a bookkeeper thirty minutes to post the daily statement, and five minutes to chart it after posting. And the chart shows every day for six months. It takes an hour or so to prepare the semi-annual report of earnings and dividends, and perhaps ten minutes to chart it in several different ways; i. e., to show the

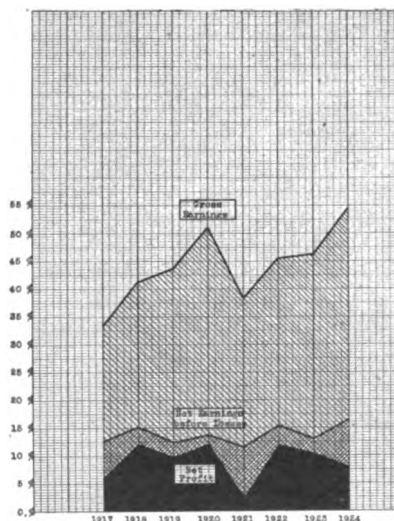


Fig. 1, showing the percentage of gross earnings, net earnings, and net profits to capital invested

distribution of gross earnings in actual figures, in percentages, in ratio to capital, surplus, and profits, and in comparison with other banks. And when

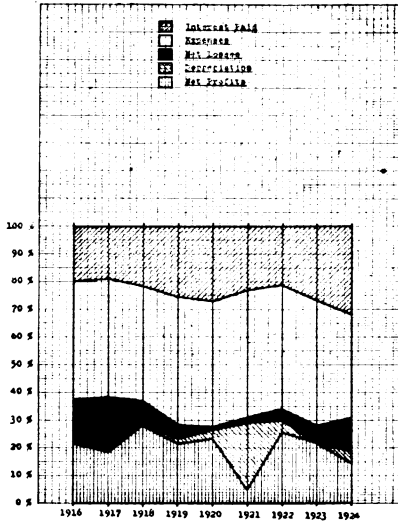


Fig. 2. The percentages in which gross earnings were distributed among interest paid, expenses, losses, depreciation, and net profits

charted, it is added to the record of ten years past, all on one page, a permanent record for officers, directors, and stockholders.

### *The First Step*

The first step in installing this set of graphic records, as the first step in any undertaking should be, was to get expert advice. An engineer connected with a local industrial corporation, who has made a specialty of graphic records, undertook to supervise the installation of the records and train the employes to maintain them. The instruction amounted to a short course in drafting, to which the eligible employes eagerly devoted two evenings a week for two months. The bank purchased the necessary drafting equipment and enough materials to last several years for less than \$100. After the initial expense, which covered the tabulation of figures and the making of charts for a ten year period, there will be no further expense, unless an

occasional pen point or a bottle of ink is counted an expense.

If, instead of training one or more employes to do this work, it is preferred to have someone outside the bank do it, there should be available in every community large enough to have a bank, someone with sufficient training and aptitude to prepare these charts. An untrained person, however, cannot prepare graphic records worthy of the name. To be dependable they should be plotted with scientific accuracy and drawn with the proper instruments. There are a number of splendid text books on this subject and several companies specializing in supplies and materials.

### *The Time Required*

The time required is an hour or two every six months for all the records of earnings and profits, and fifteen or twenty minutes on each call for statement. If it is desired to keep the daily or monthly graphs, five or ten minutes will be sufficient for this work.

One of the most interesting charts to the bank's officers and to the directors, is that showing the percentage of gross earnings, net earnings, and net profits, to capital, surplus and profits, as shown in Fig. 1. This is the final result of the year's operations and the information most desired. It compares the year's profits with every other year in proportion to the capital invested. It shows the gross earnings, the net earnings (gross earnings less expenses and interest paid) and the net profits (net earnings plus recoveries on charged-off assets, minus losses, depreciation charges, etc.). This is the amount finally available for dividends and increase in the undivided profits account.

The same information regarding all the national banks in the United States can be charted from data conveniently summarized in the annual reports of the Comptroller of the Currency.

Fig. 2 is a percentage distribution of gross earnings. This information could also be shown for any one period

DISTRIBUTION OF GROSS EARNINGS

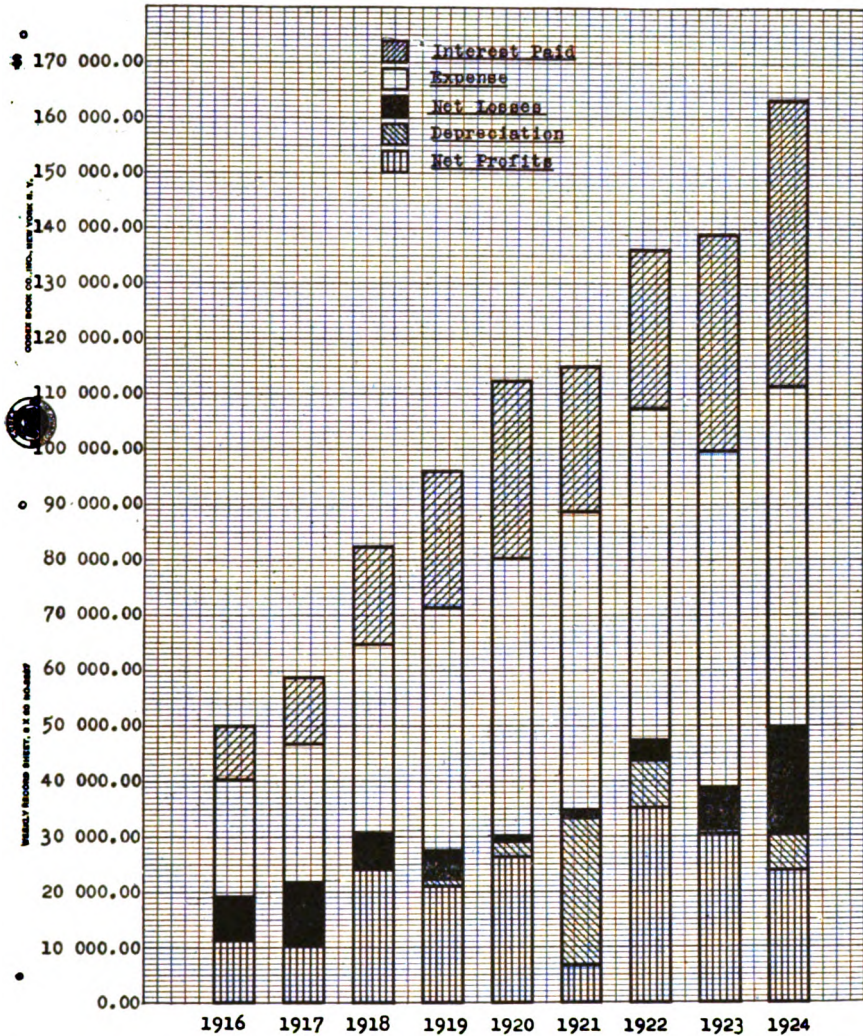


Fig. 3. The distribution of gross earnings in actual amounts instead of in percentages, as shown in chart on page 504. The entire column represents gross earnings, and the sections the amounts distributed in the various channels.

by what is known as a "pie" chart or "dollar" chart, that is, a circle and sectors. The portions of the dollar of earnings can be distributed in this familiar way as a summary for a year. The advantage of the "river" type of chart shown here is that it can be kept continuously from year to year and indicates the trend.

Fig. 3 is a bar chart showing the

distribution of gross earnings in actual amounts from year to year. The entire column represents the gross earnings. The upper part shows first, the amount of interest paid, and then expenses; and the lower part, the net earnings from operations. This in turn is divided into net losses (losses less recoveries), depreciation and other charge-offs, and net profits. This chart

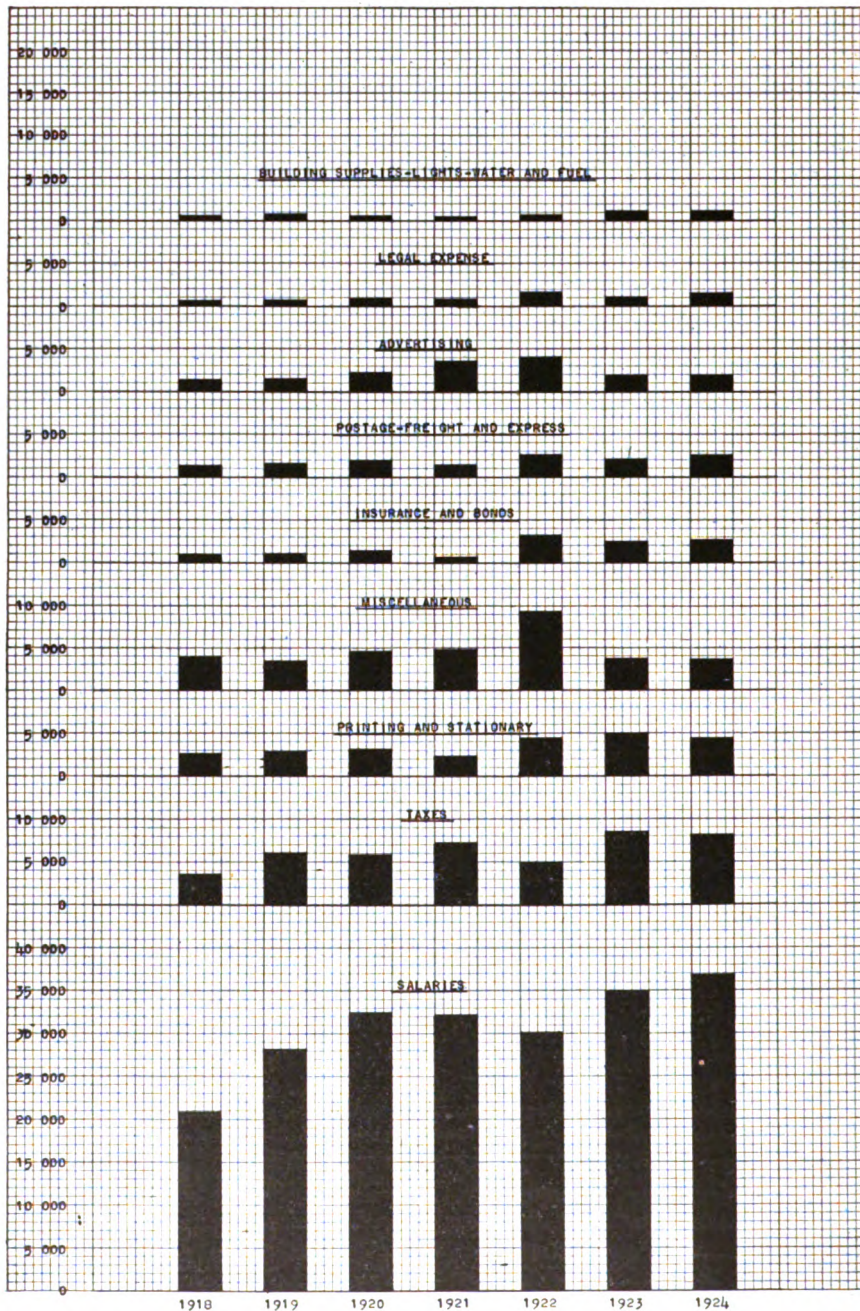
DISTRIBUTION OF EXPENSE ACCOUNT

Fig. 4. A series of bar charts showing the various items of the expense account, bringing out vividly where increases and decreases in costs occur

can be kept on one sheet for a number of years and affords an instant comparison of any of these items with other

years. Unusual variations can be explained with foot notes.

Fig. 4 is another series of bar charts

showing the various items of the expense account. It pictures vividly increases and decreases in the costs of banking and shows impressively where they occur. Where budgetary control is practiced, the budget and the actual expenditures can be shown in parallel columns.

Fig. 5 is a line chart showing the comparative growth of three banks in a community. The upper group of lines shows the total resources and the lower group the invested capital. In actual practice, this chart and many of the others used, may be drawn in different colors, thus distinguishing the lines or the sections more readily. The same color may be used for a given bank on each of the several charts. In the various charts dealing with earnings, the same "key" or combination of colors should be used in each instance. It will be less confusing, for instance, if the red indicates net profits, wherever net profits are shown. It will be noted that the key to Figs. 3 and 4 is the same.

*Ratio Charts*

A ratio chart is prepared on ratio paper (logarithmic scale). The advantage of charts of this kind is that they show percentage variations as well as numerical differences. They are coming into common use and are indispensable for certain purposes. It is impractical to chart a condensed bank statement on plain paper, whereas on ratio paper it presents a very intelligible picture.

The "Survey of Current Business" issued by the U. S. Department of Commerce, using ratio charts in many instances, explains their advantage as follows:

These charts show the percentage increase and allow direct comparisons between the slope of one curve and that of any other curve regardless of its location on the diagram; that is, a 10 per cent. increase in an item is given the same vertical movement whether its curve is near the bottom or near the top of the chart.

The difference between this and the or-

dinary form of a chart may be made clear by an example. If a certain item, having a relative number of 400 in one month, increases 10 per cent. in the following month, its relative number will be 440, and on an ordinary chart would be plotted forty equidistant scale points higher than

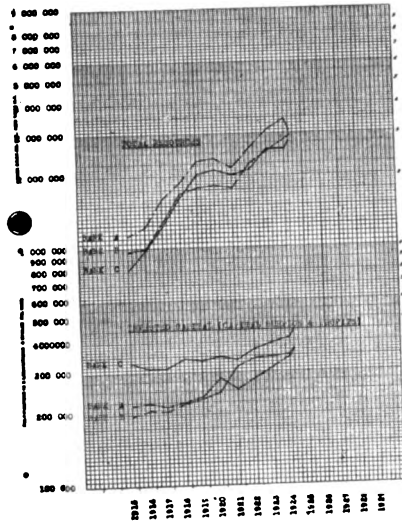


Fig. 5. A line chart, showing the comparative growth in total resources and in invested capital, of three banks in a community.

the preceding month. Another movement with a relative number of, say, fifty, also increases 10 per cent., making its relative number fifty-five. On the ordinary (arithmetic) scale this item would rise only five equidistant points, whereas the previous item rose 40 points, yet each showed the same percentage increase. The ratio charts avoid this difficulty and give to each of the two movements exactly the same vertical rise, and hence the slopes of the two lines are directly comparable. The ratio charts compare percentage changes, while the arithmetic charts compare absolute changes.

On the chart shown in Fig. 5, a variation of \$10,000 in invested capital results in approximately the same vertical movement as \$100,000 would in the total resources. On plain ruling (arithmetic scale) the invested capital would show only one-tenth the vertical movement shown in the total resources, although the percentage increase is the same.



Fig. 6 is a graph on plain ruling showing daily changes in deposits, earning assets, and cash. This chart is perhaps the least important of all those shown. It may be a convenience, however, in picturing daily changes in these items. Plain ruling (arithmetic

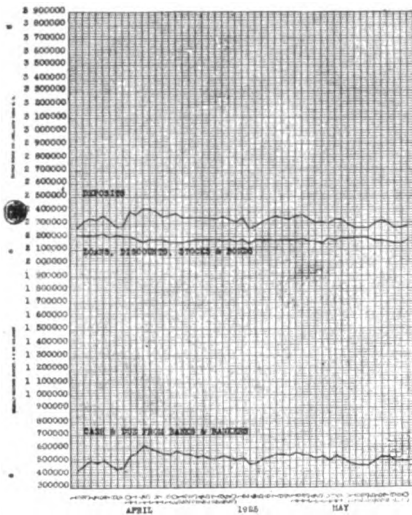


Fig. 6. The daily changes in deposits, earning assets, and cash in a given bank

scale) is used here because the information wanted is the *actual* change in amounts, and not the relative change in percentages. The daily changes in the larger items would show scarcely any variation on ratio paper.

There are many other charts which will be found interesting and useful. The condensed statement of one's own bank can be charted monthly either by plotting the figures of each item on the first of the month, by taking the average for the month, or by taking the maximum and minimum. In the last case, the varying thickness of the line indicates the range of fluctuation. This method is desirable in plotting one or more curves in different locations on the chart, but in the case of the condensed statement, the overlapping of lines would cause confusion.

The condensed statement of the bank should be shown on ratio paper for sev-

eral years back and in the future extended to include each call of the Comptroller of the Currency or the state banking department. Likewise, the published statements of neighbor banks on separate sheets may be charted on each call. Such charts give too much information to illustrate or emphasize any feature, but are valuable for reference.

Two interesting curves to show on a chart are the ratios of net losses to total loans in the case of one's own bank and of all banks. Another chart should show the ratio of net profits to capital and surplus in the case of the bank and of all banks, over a period of years in the past, to be extended each year in the future.

It will also be interesting to show on ratio paper the changes in the various classes of deposits—to know whether individual, savings, bank, and certificates of deposit are keeping pace with the total.

#### A Flexible System

Once a set of graphic records is installed, many other interesting charts may be made. The beauty of such records is their flexibility. Almost any information desired can be illustrated graphically and often with surprising revelations.

There are many sources of material for comparison—the annual reports of the Comptroller of the Currency and the state banking department, the surveys of the American Bankers Association and the various state associations, the splendid regional conferences recently instituted by the American Bankers Association, the studies in the bank magazines, and lately, information compiled by some of the Federal Reserve Banks regarding the banks of their respective districts.

A pamphlet issued recently by the Federal Reserve Agent of the Second District, comparing the operations of representative, member banks of that district, says:

The banker wants to know whether the expenses of his bank are consuming a larger

or smaller proportion of his gross earnings than is the case in other banks of the same size. If his net earnings have been small, he wants to trace the cause: whether he pays too much for salaries, is not employing his funds to the full, or is paying too high rates of interest on deposits.

Of course other factors must be taken into account in making such comparisons. For instance, a bank with a large amount of time deposits would show a higher interest paid account and a relatively lower percentage of salaries and other expenses. Local factors must also be considered in making comparisons.

### *Block Signals of Business*

Graphic records are growing rapidly in favor and their use in a few years will be very general. They are the block signals of business, and the most important development in executive control since the introduction of double-entry bookkeeping.

They do not take the place of books and figures, but they supplement, combine, condense, compare, and interpret them. They are the opposite of red tape. They are the short cuts to the facts. They tell the whole story that he who runs may read. They give the gist of the matter, the crux—in the vernacular of business, they are the “net” on any subject.

Not only are bankers interested in graphic records as an aid to the study of their own business, but they will welcome their use by borrowers in sup-

plementing financial statements. Nothing else can give so clear a picture of the history of a business, or the significance of certain trends. “One picture is worth a thousand words,” is an oft-quoted proverb and a true one.

If graphic records are valuable to the bank's officers, they are an even greater boon to the directors. It is doubtful if, after the president has finished his annual report to the stockholders or read to the board the last report of condition any director or stockholder has a very clear or lasting impression of how the year's operations compare with that of other years or other banks. The more exhaustive the figures or the more careful the analysis, the greater the difficulty in digesting or retaining them.

On the other hand, the graphic picture tells the whole story at a glance, affords opportunity for further study if desired, answers as many questions as the directors may ask and leaves a picture in the mind.

The various charts, kept in a suitable binder, will become increasingly valuable with the passing of time. By referring to them from time to time, on the calls for statements and the close of the semi-annual periods, they will become more and more familiar until, without any conscious effort, the past experience of the bank and the significance of current figures are indelibly impressed on the mind.

This is the bank's picture.

**I**T often happens that the universal belief of one age of mankind—a belief from which no one *was* nor without an extraordinary effort of genius and courage *could* at that time be free—becomes to a subsequent age so palpable an absurdity that the only difficulty then is to imagine how such a thing can even have appeared credible.

—John Stuart Mill

# The Evils of Prosperity

By Richard W. Saunders

**T**HE paragraphs which follow are not written as a diatribe against riches. For the possessor of wealth who makes wise use of it confers a benefit upon society and brings honor to himself.

Neither will what follows treat of the care and responsibilities of wealth. It is a law of economics that riches finally reach strong hands—hands which know how to conserve them and to use them properly.

There is, however, a type of prosperity which might be termed "premature;" where a man, successful in an initial venture, immediately convinces himself, by virtue of that fact, that he has discovered the road to riches and, more than that, he feels sure that the road is open and has few if any obstacles in the way that he cannot surmount. It is in this conviction that the danger lies. As old Owen Feltham wrote, "Felicity eats up circumspection; and when that guard is wanting, we lie spread to the shot of general danger. How many have lost the victory of a battle, with too much confidence in the good fortune which they found at the beginning; surely 'tis not good to be happy too soon."

It is a favorite and generally successful lure of sharpers to present their victims at the beginning with what they claim a quick and large return on the victims' initial payments. Encouraged by this to leave the entire amount, it is not long before all the alleged winnings of the latter, as well as the principal, are entirely dissipated.

On the stock market, how often does an initial gain encourage the player to go on and in time lose his all. For those who understand the mechanics of speculation, and especially those who thoroughly know the stocks in which they deal, there is some hope of success.

Dealing in the market is a business of its own and must be learned as such. The "wiseacre" with his hunch, the follower with his "tip," and the woman with a few thousand who acts through a "friendly advisor" have slight chance against the well-informed manipulator.

In a store the other day the writer overheard one of the clerks remark, "I don't have to work here unless I want to. I can go down on the stock market and make ten times as much." It is easy to divine what had happened. This clerk had evidently played the market and made a slight winning. That was enough to make him feel competent to take it up as a life work.

In all walks of life, early success is a danger and there is need of constant vigilance and hard work to overcome it. How few authors live up to the promise of their first book! More than one man is known as a poet through one poem.

The above is not written in disparagement of those who having thus succeeded go on along the lines of their success. It is more than likely that the decision is the right one. But the effort must be cautious; even more cautious because of the success. There must be no letting down of the barriers, no diminution of study and hard work along the chosen line. And especially must there be no undue elation and overconfidence. This is also true of corporations.

The rule to follow is well set out by old Feltham. "If the action be of worth that I take in hand, neither shall ill accident discourage me, nor a good one make me careless. If it happen ill, I will be the more circumspect, by a heedful prevention to avoid the like, in that which ensues. If it happen well, my fear shall make me warily vigilant. I will ever suspect the smooth stream for deepness; till we come to the end."

# Can Banking Be Made Safer?

By Aaron L. Willouer

**T**HE last two decades of financial history in the United States have seen an unparalleled expansion in banking. Not only has the number of banks doubled but the total of banking resources has more than quadrupled. The following figures are illustrative:

| Date | National banks |            | State banks |                | Re-sources |
|------|----------------|------------|-------------|----------------|------------|
|      | Number         | Re-sources | State       | Trust (number) |            |
| 1870 | 1,612          |            |             |                |            |
| 1884 | 2,625          | \$ 2,283   | 817         | 35             | \$ 760     |
| 1904 | 5,331          | 6,656      | 6,923       | 585            | 5,240      |
| 1924 | 8,085          | 22,566     | 17,436      | 1,664          | 25,140     |

This hasty and incomplete summation of our banking development presents in bare outline, merely as a background, the constructive side of banking.

There is another phase to banking, consisting of the destructive forces. The culmination of all destructive forces in banking is bankruptcy. A bank failure is quite a serious affair, much more so than that of a manufacturing concern or of a merchandising corporation. A bank's contact with the community which it serves is of a much more vital nature. It is not only the employes and owners who are immediately concerned, but the depositors who by having their funds tied up in the failure, are themselves often forced to the wall. Numerous instances could be cited of failures, especially of large banking institutions which tied up the funds of industrial corporations and even of other banks, in turn forcing them to the wall and leaving a trail of misfortune, misery and suffering in their wake.

It behooves responsible government officials to do all possible to keep banks safe; to rescue, if possible, those in danger; and to suppress all unsafe banking methods and foster all possible safeguards; and it behooves all banking associations, state and national, to aid in the spread of public education

which will permanently improve the situation. Only to the extent that bank failures can be avoided and depositors' money can be made safer, can a study of this kind be deemed of interest and of value.

The large number of bank failures during the last five years, reaching its climax in 1924, has brought strongly before the public the question of safer banking. It is necessary to go back to 1893 to find a period when bank failures compare with those of 1924, both in numbers and in total liabilities. According to the reports of the Comptroller of the Currency, the failures in the last four years increased by leaps and bounds, as shown in the following table:

| Year ending June 30 | State and private |              | National banks |              |
|---------------------|-------------------|--------------|----------------|--------------|
|                     | Num-ber           | Liabil-ities | Num-ber        | Liabil-ities |
| 1914                | 96                | \$ 32,059    | 21             | \$ 9,774     |
| 1915                | 110               | 27,866       | 14             | 12,767       |
| 1916                | 41                | 16,010       | 13             | 3,020        |
| 1917                | 35                | 11,300       | 7              | 5,282        |
| 1918                | 25                | 10,258       | 2              | 2,359        |
| 1919                | 42                | 9,611        | 1              | 496          |
| 1920                | 44                | 18,955       | 5              | 1,930        |
| 1921                | 330               | 96,124       | 28             | 17,301       |
| 1922                | 364               | 95,933       | 33             | 20,287       |
| 1923                | 237               | 64,550       | 37             | 20,076       |
| 1924                | 777               | 223,188      | 138*           | 74,743       |
|                     | 2,101             | \$605,854    | 299            | \$168,035    |

\*Does not include liabilities of five banks.

The unusually large number of bank failures, following an amazingly rapid growth, presents a particularly disturbing factor. It indicates an unhealthy condition, either in bank organization or in banking policy, which must be removed.

The failures for the calendar year 1924, if the country is taken by federal reserve districts, shown below are instructively illuminating;

|                    |    |                     |     |
|--------------------|----|---------------------|-----|
| Boston .....       | 1  | Chicago .....       | 104 |
| New York .....     | 7  | St. Louis .....     | 55  |
| Philadelphia ..... | 1  | Minneapolis .....   | 299 |
| Cleveland .....    | 0  | Kansas City .....   | 134 |
| Richmond .....     | 34 | Dallas .....        | 52  |
| Atlanta .....      | 44 | San Francisco ..... | 28  |

It is at once evident that the more

highly commercialized northeastern and north central sections of the United States were comparatively healthy regions, while the failures were quite heavy in the southern and western sections, and stalked through the northwest section, composed of the Minneapolis, Kansas City and Chicago reserve districts, like a malignant disease.

It is gratifying to note that some of the New England and north central states have had no failures of state banks for years and others have had very few. The Banking Commissioner for New Jersey reports "no failure in the last eight years;" the State Bank Commissioner for Delaware reports none "over a long period of years;" and the Bank Commissioner for New Hampshire reports "one failure in the last twenty years."

During the war and the period immediately following the war, farm lands in the northwest were in active demand and brought high prices. This was coincident with a period of inflated prices for farm products. When the deflation came, prices of farm lands were higher than the value of the crops which they would produce warranted, and farm land prices likewise fell and fell rapidly. This left the banks who had loaned on the inflated values tied up in loans which could not be liquidated. Then also the banks in the northwest were prone to extend too large lines of credit to their customers for two reasons: first, in order that they might secure a high rate of interest on their loans; and second, because they over-estimated the value of the real estate owned by such customers.

It will be instructive to learn what the records and the experiences of state bank commissioners show regarding this subject. In brief, the causes of bank failures could undoubtedly be summed up in two words; dishonesty, and incompetence. However, a more detailed analysis is desired here, and the various causes will be discussed seriatim. Certain suggestions are made, which it is believed would eliminate these causes

as far as possible, and reduce bank failures to a minimum.

### *Dishonesty*

"About 25 per cent. of the failures have been due to irregularities or embezzlements on the part of some officer," writes the Bank Commissioner of the State of Indiana.

Dishonesty always has been and probably always will be an important factor in bank failures. It is nothing new or peculiar to our times. The prevalence of this cause of bank failures may be taken as a rough measure of the vigilance with which the government officials, both state and national, perform their duties. Nothing acts as a greater deterrent to embezzlement, defalcation and theft, than the vigor with which the government officials enforce the laws which apply in such cases.

The business of banking presents temptation for wrongdoing which are not met with ordinarily in other businesses. It is, therefore, a solemn duty of the responsible directors and managers of banks to provide as many and as efficacious safeguards against wrongdoing as is possible. In general these may be provided: (1) by a competent and active board of directors, who will actually direct the affairs of their institution and will more or less frequently make a thorough examination of the assets of the bank; (2) by an accurate system of accounting and auditing which insists upon clear and exact records; and (3) by thorough examinations and competent supervision by governmental authorities. The common saying "Eternal vigilance is the price of liberty" cannot be too deeply impressed upon the minds of bank managers and of bank supervisors. The policy should be one of prevention rather than one of correction.

### *Incompetence*

Banking can never be made safe until the men running the business understand it and give to it of their time

and energy. This applies to directors as well as to officials. If there were no incompetence among bank directors, none would be tolerated among officials.

#### *Lack of Supervision by Directors*

The duties and responsibilities of directors are supervisory in their nature. Where there is a lack of supervision on the part of directors there is at once great opportunity for laxness on the part of the active executive manager. So much responsibility centers in the board of directors that one might even be justified in ascribing all failures to "lack of supervision by directors."

A survey would no doubt show that only a few, probably only two men on the board of directors of the average bank, know their responsibilities and what their duties are. Election to the board is all too frequently accepted for the honor which such a connection will bring, and not for the services Mr. Director can render the bank. He is content to listen to the reports as read by the cashier, or president; enter half-heartedly into a cursory discussion of the loans; exchange a few remarks about the weather and crops; and go his way, self-satisfied and contented, feeling that he has performed his duties as a director.

There can be no doubt that, if directors could be more fully impressed with the importance of their duties and responsibilities, and would actually direct the affairs of their institutions, failures would be reduced to a very great extent. The Commissioner of Banking for the State of West Virginia states it as his opinion that the greatest aid in making banking safer in this country would be an educational campaign among bank directors, for very few appear to be qualified for this service and very few take the trouble to inform themselves of the law under which they serve.

The various state bankers' associations could profitably devote a session of each annual convention to the education of bank directors and to

a discussion of the problems confronting them, and bank directors could with profit to themselves and to their institutions "listen in" on all the bankers' gatherings.

#### *Incompetence of Management*

If there were no lack of supervision by directors, incompetence of management among bank officials would not exist. Incompetence would be rapidly weeded out. This incompetence, however, has existed and has accounted for an amazingly large number of failures. Incompetence covers a "multitude of sins" in banking. A brief scrutiny will reveal many errors of judgment and committing of errors in banks, some of which may be classified as follows:

Loaning to customers without any definite knowledge of the borrowers' financial worth.

Loans to accommodate friends and their friends.

Excess loans.

Excess loans to any one firm or corporation and the members thereof, the total of which exceeds the bank's capital.

Buying bonds because they are sold at a big discount or carry an attractive rate of interest.

Trusting to the Lord to maintain the available cash reserve.

Payment of illegal dividends and expecting Santa Claus to leave sufficient earnings to cover the deficit created thereby.

Members of the board borrowing unduly of the bank's funds.

Garbled reports and statements to supervising powers.

Hoodwinking indifferent directors by setting up large earnings by false entries or accumulation of unearned accounts.

The one antidote for incompetence is the trained banker. It is remarkable with what ease many men, without experience or even banking knowledge, have stepped into responsible banking positions. Indeed they have found it easier to get in the banking business

than to stay in, and the present situation is adequately described by the phrase, "too many banks and too few bankers."

If directors will not themselves undertake to have their institutions run by experienced bankers, then they must expect the public, which suffers from bank failures, to empower its representative—the State Bank Commissioner—with authority to debar the unfit from responsible executive positions. The banking code of the State of Nebraska provides for the licensing of the executive officers of banks, the section which applies reading as follows:

No loan or investment shall be made by a bank, directly or indirectly, without the approval of an active executive officer. Executive officers of banks shall be persons of good moral character, known integrity, business experience and responsibility, and capable of conducting the affairs of a bank on sound banking principles. No person shall act as an active executive officer of any bank until such bank shall apply for and obtain from the department a license for such person to so act.

#### *The One Man Bank*

One of the fruits of our "free banking system" has been the one man bank. Many of the western and southern states permit the opening of banks with a capital of \$10,000. In consequence of this there are a large number of small banks, where an ordinary mortal, not a superman, is expected to act as janitor, messenger, bookkeeper, teller, discount clerk, cashier, and oftentimes perform the duties of the president. He is expected to render 100 per cent. efficient service, with a salary insufficient to maintain his self-respect in the community under the prevailing standard of living. There is no one to relieve him when he is sick; when he needs a vacation or wants a day off. He is a slave to his job. If errors are made, there is no one with whom to check up. Errors are allowed to slide, and a correction is made here and a change there until finally he develops into a first class crook. The menace of the

one man bank is due to the lack of proper supervision by the directors.

The solution of the problem is the elimination of these small institutions. With the present means of transportation and communication, the small community is not handicapped and does not suffer if the bank is located in the next town which may serve as the center of a larger community. There is considerable agitation in many states to fix the minimum capital for any bank at \$25,000, and legislation to this effect has been proposed in several states.

On May 19, 1924, R. L. Thornton, president of the Texas Bankers Association, in an address at the annual convention at Houston, said "Texas, as does the whole country, needs bank consolidation instead of new bank charters. Too much of banking gross profit is dissipated in duplicate and unnecessary executive overhead and other expense which could be used to better advantage in building up communities."

#### *Excess Loans*

"The most common violation," says the Bank Commissioner of Kansas, "was that of permitting excess loans." Excessive loans have caused almost one-fifth of the failures in the national banking system since its beginning.

Diversification is one of the cardinal principles of investment. On the basis of this principle, most banking codes provide that the loans to any one customer, excepting those secured by good collateral, shall not exceed a certain percentage (10 per cent. under the National Bank Act) of the bank's capital and surplus. An unsecured loan which exceeds this specified percentage of the bank's capital and surplus becomes an excess loan.

The fact that a loan is a so-called excess loan does not necessarily make it a bad loan. It is usually not difficult for a financially responsible customer, if his credit standing warrants it, to secure a loan up to the bank's legal limit and then borrow the balance of his requirements from another bank.

The excess loans that cause trouble are those that were bad to begin with and which should never have been made. In an address delivered on May 21, before the Kansas bankers' convention, R. L. Bone, Bank Commissioner of Kansas, said:

I took occasion to analyze some of these excess loans and in tracing them back to their origin I found that they were close to the bank's limit when they were first made and when the loan matured the borrower was not only unable to pay the loan but was also unable to meet the interest. I found that when a renewal note was taken the interest was added to the note and after several renewals the loan naturally became an excess. The fact that the borrower was unable to pay even the interest on his note when it became due convinces me that it was a loan that never should have been taken into the bank at the start.

The heart of the bank is in its credit file. If officers and directors would look carefully into the credits extended and would require statements showing the financial status of the borrower, the number of bank failures would be reduced to a marked extent. Bankers must realize that it is not their own funds, but those of their depositors which they are loaning.

#### *Excess Loans to Officers and Directors*

Extravagant loaning to officers and directors, even though it is a much discredited practice, is quite prevalent. This practice has caused many bank failures. Many bankers act as though the bank's funds were primarily for their own use and for the use of companies in which they are financially interested. What is needed is bankers who have no other interest to take up their time and the bank's money.

The report of the Idaho Banking Code Commission has this to say on this subject:

One of the frequent local causes of bank failures is the fact that officers of banks have been interested in side ventures, as silent partners and otherwise, and have loaned funds of the bank for things in which they were directly or indirectly fi-

nancially interested. This practice has occurred in most instances with the managing officer of the institution.

As a remedy for this situation the proposed Idaho Banking Code contains a section on loans to officers, which makes it illegal for any bank to loan to a director, officer, or employe, excepting under very strict regulations and limitations, while the Banking Code of Nebraska forbids loans to officers and employes altogether.

#### *Excessive Real Estate Loans*

Unfortunately there are officers and directors who attempt to make a commercial bank serve the purpose of a building and loan association. They accept many loans secured by local real estate, which often prove to be "frozen" for the reason that, when it is necessary to realize on the assets of the bank to meet an emergency, there is no satisfactory market for the sale of the real estate, and the consequence is failure.

#### *Miscellaneous Causes*

One bank commissioner reports as a cause of failures the deposit of large sums of public money in country banks, which have qualified for such deposits. Often the bank receiving such a deposit has more loanable funds than the community can wisely use, and in an effort to make this deposit earn its cost, speculative loans are made which prove to be uncollectable, and when the deposit of public money is withdrawn, the bank finds itself unable to realize on its loans, and failure results.

Many bankers are over-anxious to make a good earnings showing, and are too desirous to get rich quick. This leads them to make loans at high rates of interest, which turn out to be slow, "frozen," or even a total loss.

Insufficient capital is frequently mentioned as the reason for the failure of many small institutions. A few bad loans by such banks soon wipe out the capital and surplus and create a state of insolvency. During the war and



during the period immediately following the war, deposits had reached an enormous total. Loans were made often without due regard to security or to the responsibility of the borrower, and in many cases just such rash extensions of credit as these have brought about bankruptcies.

There are instances where banks are controlled by outside interests. The funds of the bank are used to finance and advance the interests of these outside affiliations, and when adversity overtakes their industry, failure results. Only last year three banks under the control of one man, financially interested in the soft coal industry, were closed, due, it is reported in the public press, to the slump in that industry.

The stress of natural conditions as a cause of failures is not to be overlooked. The Superintendent of Banks of the State of Montana, in his last report, vividly pictures the withering scourge of drought in his state, the painful period of deflation, and the utter breakdown of agriculture, culminating in the excruciating experience of bank failures. There is always ground for controversy as to whether the stress of natural conditions uncontrollable by man, or whether other causes, man-made and controllable by man, exerted the greater influence.

#### *Unsafe Practices*

A study of the problem of making banking safer is not complete without reference to some of the present day practices which sap the strength of banks. These practices are the result of the competition for deposits, and more commonly take the form of high rates of interest on deposits, the rendering of banking services to a customer whose deposit balance is too small to compensate the bank for such services, as well as the rendering of many so-called gratuitous services.

What is needed among banks today more than anything else is co-operation. The headlong scramble for deposits is weakening, rather than strengthening,

the banks of today. In his address before the Texas Bankers Association, R. L. Thornton said:

The mad rush to increase deposits, apparently on the theory that the public measures a bank's strength and safety by the deposits it carries, is fraught with danger, for when a banker pays more for deposits than they will return him, he is sacrificing not only his own safety, but that of the depositors and others, and is striking down the fundamentals of sound banking.

The danger from the high rate of interest offered for deposits is re-echoed in the warnings issued by the various state bank commissioners, but so long as co-operative action is lacking and so long as each banker by himself is afraid to take the initial step in lowering his interest rate on deposits, the ruinous competition will continue.

The rendering of banking service to a customer whose deposit balance is too small to compensate the bank has been and is being discussed at bankers' meetings and in banking journals under the title of "analysis of accounts." This is a subject well worth the banker's time and study, particularly at a time when earnings are not showing up as they should.

#### *Guarantee of Deposits*

There is a small group which believes that the guarantee of bank deposits will safeguard the depositors' money. This has been tried in Oklahoma, North and South Dakota, Washington, Kansas, Nebraska and Texas. Oklahoma not only found the law did not save the depositors from loss, but it actually weakened the remaining state banks which were assessed for the losses incurred by the failed banks; and it was abolished in 1923. In North and South Dakota and in Washington the operation of the guarantee law, for all practical purposes, has been suspended, for the deposit liabilities of the failed banks are so heavy that an assessment against the solvent banks to pay the liabilities would reduce them to a state of insolvency. The opera-

tion of the guarantee law in Kansas, Nebraska and Texas has been more favorable, largely, if not wholly, because the deposit liabilities of the failed banks in these states have not aggregated such large totals.

The fundamental fallacy in the policy of guaranteeing deposits is that it does not discriminate between the good banker and the bad banker; that the successful banker is penalized for the losses of the unsuccessful; and that the best are reduced to the level of the worst.

The survey of bank failures has brought to light many defects and deficiencies in our banking management and policies. In brief, this survey has shown the need of revision of state banking codes, the need of conscientious capable bankers, and of a stricter supervision of banks.

#### *Revision of Banking Codes*

The banking codes of many states are either obsolete or so much out of date as to fail to meet present day needs. New banking codes have been under consideration in recent years in quite a few states. Experience shows that seldom are banking laws, although obsolete, revised until necessity, or a series of failures such as the last few years have seen, arouses public interest in the problem. It is perhaps inevitable that, with each of the forty-eight states having a separate banking code, no two should be exactly alike. Each banking code, if it is to be successful, must nevertheless take cognizance of certain banking principles which are fundamental, and must build upon them.

In any revision of banking codes, the problem of sufficient banking capital must be considered. Many states permit banks to organize and do business on \$10,000 capital. Under present conditions, this is insufficient to run any bank on an efficient basis.

Another weakness is the failure to restrict or limit loans to officers. The laws of Nebraska and the proposed law of Idaho in this respect could profit-

ably be followed by many of the other states. So long as men without training and devoid of conscientious scruples can so easily enter banking, legal restrictions must be placed on loans to officers to safeguard the funds of depositors.

In many cases banks recklessly exercised the privilege of rediscounting to the full extent, and others used all their good assets as collateral for loans from correspondent banks, in some cases pledging \$3 of assets for a \$1 loan. This reckless expansion has brought heavy losses to depositors. While it would be unwise to set an absolute and arbitrary limit to rediscounting and to the pledging of a bank's assets, it would be a distinct step forward to place such bank operations above a certain minimum figure under the control of the bank commissioner.

#### *The Trained Banker*

Laws can never supply the deficiencies in training or offset the weaknesses of human nature in the executive personnel of any bank. The Bank Commissioner of Oklahoma expressed a profound truth when he stated that, in order to make banking safer, there is needed: first, conscientious, capable bankers; second, conscientious, capable bankers; and third, conscientious, capable bankers. A conscientious banker is honest, and a capable banker is a trained banker. It is extremely important that the men who have the control of the funds of a community should have these two requisites. The laws of very few states give the bank commissioner any power of keeping out of office men who have had no banking experience. The selection of the active executive officer is usually at the discretion of the board of directors, and he is usually the predominating figure on that board. If he is a man of experience and is conscientious, so much the better; but if the board of directors proves itself derelict in its duties, the public must take a hand in these matters and provide that none but trained bank-

ers shall hold active executive positions in banks.

The trained executive of a bank should be properly compensated, so that he would not feel the need of engaging in outside ventures. Outside ventures on the part of bank officials have wrecked many institutions, not only because the official could not give the needed time to the bank's affairs but also because the bank's funds were used to finance these side ventures, and the loans which were so made could most likely not have been gotten from any other source.

#### *Stricter Supervision*

There is no supervision which can take the place of the supervision which the directors owe their institutions. That is not to say, however, that no other supervision is needed. Every state, without exception, has its bank commissioner, whose duty it is to see that the banking laws are enforced. The state laws in many instances are enforced with considerable laxness. This is not generally due to lack of energy or ability on the part of the bank commissioner, but it is all too frequently due to the fact that he is unable, with the force of examiners at his command, to cope with the situation, and to overcome political interferences. Positions in the bank commissioner's office are considered as political plums and are treated as such. The administration of the bank commissioner's office should be removed as far from political influence as is possible. He should be free to build up a permanent force of trained and capable bank examiners, who would receive a compensation comparable with their abilities. A stricter supervision of banks, by state and national banking authorities would go far toward reducing bank failures.

#### *The Clearing House Examination System*

The clearing house association is an organization mutually agreed upon by banks for their convenience in clearing

checks. Ranking in equal importance is the introduction of the clearing house examination system. By agreement among the members for mutual protection in the interest of themselves and of the public, each member bank is examined periodically by a clearing house examiner for the purpose of supervision and regulation. Such examinations serve to bring together the list of borrowers from all the banks of the city; they serve as means of revealing many a dangerous situation in time to supply corrective measures; they provide a means of controlling the duplicate borrower. The best recommendation of this system is that wherever it has been adopted, no depositor has ever suffered a loss.

A system so effective in a city should be of similar value to a group of banks in neighboring towns, in a county, or in any section of territory of limited extent where the operation of the clearing house examination system is feasible.

In contrast to the policy of guaranteeing deposits, the influence of this system upon its members is wholesome. The best are not reduced to the level of the worst, but the worst are raised to the level of the best or eliminated.

#### *Leadership in Banking Policy*

The free and independent banking system in this country has developed into a duel between the state banking systems and the national banking system, and has injected many complexities into the problem. While the state banks far exceed the national banks in number and in resources, the national banks, knit together as they are in the Federal Reserve System, are looked upon as the bulwark of the financial strength of the nation. While the national banks had their full share of failures, the mantle of leadership in banking policy, by virtue of the fact that the National Bank Act is nation wide in its application, should fall upon the national banks. The National Bank Act should be revised to serve as a model, to which the state banking codes

might find it expedient to conform as nearly as possible.

There is much of the human element in banking. Nevertheless, leadership, to be effective nation wide, must work through a system that is nation wide in its influence—namely, through the Federal Reserve System and its members. If, on the other hand, state banking systems are allowed to grow stronger at the expense of the national system, these heterogeneous systems can pro-

duce only chaos in our national banking policy. The Congress of the United States owes a solemn duty to the public, whose servant it is, so to revise the national banking laws that the banks operating thereunder may serve their communities to the best advantage, with the result that the present trend of surrendering national charters for state charters may be reversed and that the banks in this country may be knit together in one homogeneous system.



## The Psychology of Embezzlement

By William Ashdown

**I**N the lobby of the post office in the little village of X....., a few days before Christmas, there stood the usual line of townfolk waiting their turn to dispatch their Christmas packages. Among those in waiting was a young man, ex-cashier of the local bank. Some three years previous he had gone out to lunch one day and disappeared as completely as if the earth had swallowed him up. A check up of his accounts had been in progress for a few days prior to his leaving and it was found subsequently that he was about \$40,000 short. The trail had, no doubt, come dangerously close to discovery and, taking a package of money out of the vault, he put on his hat and walked out.

For many weeks thereafter the defalcation and disappearance was town talk. When the true amount of the shortage was ascertained, his family came to the rescue and made good the loss. While the public is quick to forget such an incident where the rank and file of bank depositors suffers no loss, the whereabouts of this young man was for a long time a topic of frequent inquiry. He was reported to have been

seen in various parts of the country, but insofar as the public was concerned he had gone for all time.

Taking up the evening paper, shortly before Christmas, the public was informed that he had voluntarily surrendered to the court that day, pleaded not guilty to the charge, and had been released on bail. The next day he appeared on the streets of his native town and was greeted by those who knew him and liked him as one who had returned from a long journey; and the atmosphere of the post office lobby was that of a reception to a returning hero. He seemed to feel no embarrassment, and neither did his friends, for he had a likeable personality and was exceedingly popular in the days of his bank administration.

### *Old Time Ideas*

Time was when to defraud a bank was a serious matter. The perpetrator of any fraud upon a bank, whether the sum involved was big or little, was looked upon as an outcast. He had betrayed a trust that was a serious matter. He was plainly a thief. As a matter

of fact, in the early days, when a man left a bank position under any sort of a cloud, he was looked upon with suspicion. There was always a doubt as to the reason for his going and gossip and scandal traveled fast and told sinister tales. But to be openly convicted of defaulting was a signal mark of dishonor and punished legally and ethically as such. But as the years have gone by, there seems to have come into the public mind a charitable feeling for the bank defaulter, particularly if he or his friends make good the loss. This feeling seems also to have gotten hold of the courts, which have in many cases meted out only a mild punishment. To such an extent has this process prevailed that today bank defalcations are looked upon as to be expected and are taken as a matter of course.

#### *First Impressions*

The writer's first impression of bank defaulters came during the first years of his banking career. About 1890 it was discovered that two of the town's leading citizens had for years past been systematically stealing from its largest bank. The shortage was somewhere about \$100,000 and nearly wrecked the bank. Excitement ran high. The town was shocked as it had never been shocked before. The crowds surged about the bank endeavoring to get their money out before the doors were closed, perhaps forever. The officials went up and down the line assuring the frightened men and women that the bank was all right and everybody would get their money. (This was before the exact shortage was known.) Some who believed their assurances went home without their money, while others remained in line until the tellers handed out their savings. The pressure was too great, and the bank surrendered. In due course it was determined that a scaling down of each account by 15 per cent. would place the bank back into solvency and upon court order this was done. In consequence each depositor

lost approximately one-sixth of his deposit.

That was many years ago, but the memory of those trying days has not died; rather, it is ever fresh in the minds of those who were affected by the loss or who witnessed the affair from the sidelines.

These men had been leading citizens. They owned much property. They had country homes as well as city dwellings. They lived well. They were leaders in the church and in society. None were more honored than they, for they had that peculiar reverence shown them that was accorded the old-time banker.

But once the source of their ill gotten wealth was known, they became a byword. The gossips shook their heads and said: "I told you so—I always suspected something was wrong with that pair." They became outcasts, for had they not robbed the poor? They were criminals and deserved rich punishment for betraying their trusts. To steal anything was bad enough; but to steal the widow's mite was worse. How were the mighty fallen! The law sent them to jail for substantial terms and they both died in prison, mourned by few, remembered unkindly by many, and yet today their memory is an object of derision.

#### *The Underpaid Employee*

There is now and always has been much sympathy for the underpaid bank employe who pilfers from his bank. Case after case has come to the public notice where a teller or a cashier or some other official in a position of trust has found it quite impossible to make both ends meet on the meagre wage doled out to him. He is expected to dress well, live in a good neighborhood and act the part. He finds the demands upon his purse so many and so frequent that he falls prey to the tempter and takes a little, hoping to put it back, sometime, somehow. He gets in deeper and deeper. In his desperation he plunges, hoping to make a killing and settle up. But the game goes

against him and he is caught. And when it appears that he held a very responsible job on a ridiculous income, public sympathy is generally against the bank for making it necessary (?) for him to steal. But when one higher up, with a more substantial income stoops to theft, and uses the proceeds in speculation and gambling and high living and the like, public feeling is quite apt to be against him. Theft in either case cannot and ought not be excused or condoned; but in the former case it can easily be explained and understood.

### *Causes of Embezzlement*

The fundamental causes for bank defalcations are two: first, a desire for something; and secondly, the opportunity to gratify that desire. The desire may be for money to satisfy the immediate demands of the man and his family. This is true in many cases of underpaid bank workers. It may be a desire to acquire riches by the Wall Street route, which is a frequent cause for theft. It may be an ambition to shine socially; to make an impression upon the public and show that the bank man has "arrived." It may be the desire to gratify the wife's desires for luxury beyond the bank man's means, and this is not uncommon. But it is hardly fair to place the blame upon the woman, who may be ignorant of the source of the luxuries she enjoys; for no normal woman would accept these privileges if she knew the origin of the wherewithal. They must someday come to a disastrous end and that is worse than not having them at all. It often happens that the bank man, in an endeavor to build up the business of the bank, takes risks with his customers that eventually lead him into trouble himself, and without profit on his part. This can well be understood by the experienced banker. It may also be from pure desire to "hit the high spots" of life at the bank's expense, with a steady pilfering of small amounts. One who is now serv-

ing his term at Atlanta confessed that for years—in fact from the time the bank opened its doors until he was caught—he took money steadily and spent it having a good time on Broadway.

The basic reason is, of course, the desire for money to gratify some wish that one otherwise could not satisfy. The opportunity is ever present and it remains only to institute a system of theft that has, in the perpetrator's mind, fair chance of concealment. No two men work exactly alike, but a reading of the inside story of bank defalcations will show that the operations follow essentially similar lines, varied only in detail.

There are only two ways of abstracting money in a bank: (a) By withholding receipts from the bank, that is to say, preventing the funds from going into the bank's assets, while giving the depositor credit for the amount in his book. Pilfering in the form of taking the income from loans and investments belongs in this category. (b) By taking assets of the bank, whether in the form of money or securities, and putting in their place forged or fictitious vouchers, or none at all. This latter is abstraction per se, as distinguished from withholding funds or preventing funds from reaching their proper destination.

A census of the bank defaulters as respects the psychology of their thefts would doubtless show that few ever intentionally stole. They "borrowed" the funds in the hope of some day returning them. The "some day" never came, and getting deeper into the mire, the embezzler became calloused as time went on and made desperate efforts to retrieve lost ground, thus becoming engulfed in a hopeless morass of crime.

Another man of the writer's acquaintance, now also serving a short term in prison, never intended to steal a cent. He simply made a mistake and, in the effort to cover it and make good, eventually became embarrassed to the extent of many thousands. As he con-

sistently handed out the assets of the bank, he hoped that every transaction would be the last and that recovery would soon be a reality. In fact he confessed to me that if they had not caught him when they did, a lucky turn in the stock market would have brought reimbursement in full. He consoles himself by believing that it was more the fault of the authorities that the bank lost, than his own; for if he had had a little more time everything would have been all right. As a matter of fact, this man did not profit at all himself, he was simply doing a good turn for a friend.

#### *Notable Defalcations*

The history of bank failures and defalcations, insofar as it has been authoritatively written in this country (See "The Romance and Tragedy of Banking" by Thomas P. Kane) shows that as a rule defalcation has been a result rather than a cause. And if the defalcation was large enough to wreck the bank, this too has been a result and not a primary objective. The defaulter seldom if ever deliberately sets out to wreck the bank; for that would defeat his plans. There are, of course, many cases where the deficit is not excessively large and came about through extravagant living and the desire to gratify the whims of the defaulter and his family. In such instances the theft is intentional; but in the larger defalcations the story usually runs along the following lines: Some one connected with the bank, either as an officer or as a customer, undertakes large business enterprises. There may be one or many such operations. The bank begins to lend to the concerns, directly or indirectly, and in a fully legitimate way. Something goes wrong. More money is needed. More loans are made in the hope of safeguarding the others, until the bank's position is imperilled in the endeavor to save its customer and thereby itself. The intent is not to steal. Irregularities are necessary in order to conceal the true

state of the loans. False entries are made in the books, fictitious notes are placed in the files and other devices resorted to in the hope of eventually bringing order out of chaos and recovering the lost funds. Where the operator is in control of the bank, the foregoing is not a difficult process; but if he is outside the official family, the error is often the result of bad judgment rather than deliberate stealing.

The other main factor in embezzlement in banks is speculation by an official who has control of funds. It would not stretch the truth unduly to say that the defaulter never intends to steal the bank funds at first. He merely borrows in the hope of repaying in due time. His plans go amiss and he gets in deeper and deeper until the case is hopeless and he becomes a hardened and deliberate thief. The struggles of the man who unconsciously steps into a bog and begins to flounder in the mud are similar. He did not intend to get mired. In the effort to get one foot out he got the other in, and so on ad infinitum until he became engulfed. His ultimate fate was due to one misstep. And many a bank man has become a thief because one insignificant thing happened and was badly handled at the beginning.

The writer is not ready to concede the point that bank men deliberately begin to steal. The stealing is the result of other forces which the bank man cannot or will not control at their inception. Many a man who has gone wrong, and perhaps gone to prison, can look back and see the exact point where the ways parted and can say to himself: "If I had not done thus and so—then, I would not be here now."

A review of some of the notable defalcations in American banking history will confirm the foregoing observations.

On May 6, 1884 the Marine National Bank of New York closed its doors. The immediate cause of its closing was the over-certification of a check for \$750,000 for the firm of Grant and Ward. The president of the bank was

a partner in the firm. He doubtless had good intentions.

On May 13, the following, it was discovered that John C. Eno, president of the Second National Bank of New York, was a defaulter to the extent of \$3,185,000. The shortage was made good by his father and the younger Eno was never punished.

On March 19, 1891 the Keystone National Bank of Philadelphia was closed due to the most reckless and criminal use of the bank's funds by its president, aided and abetted by some of the employes. The former was connected with several outside enterprises. The overdrafts amounted to \$330,000 and were concealed by manipulation of the books. The president died before the bank failed and the cashier was made president. The latter was indicted, absconded, returned in 1898, and was sent to the penitentiary. The depositors lost 82 per cent. of their deposits.

On October 31, 1891 the Maverick National Bank of Boston was closed. Three men associated with the bank owed the sum of \$2,556,000, or about 25 per cent. of its total resources. The books showed loans to directors of only \$200,000, although they actually were over \$2,500,000. Numerous indictments were filed against the guilty individuals, but practically all were abandoned. The president received thirty days in jail and a fine of \$5000 as his penalty for the crimes committed.

On December 21, 1899 the Globe National Bank of Boston was closed due to the misapplication of funds by the president. The deficit was \$1,600,000, made good by the president and his friends and the directors. The president in this case served his full term of eight years.

In October 1900, it was discovered that C. L. Alvord, note and exchange teller of the First National Bank, New York, was short about \$690,000. The thefts had been going on for a long time and were successfully concealed. He served eight years.

The Bigelow defalcation, which was uncovered in 1906, was one of the largest in the annals of American banking. Frank G. Bigelow was president of the First National Bank of Milwaukee. The amount of the shortage was \$1,450,000 or more than the combined capital, surplus and profits of the bank. He turned over his property to the extent of about \$300,000. The directors made good the shortage, subscribing from \$10,000 to \$600,000 each, and amounting in all to more than \$1,635,000. Bigelow served his time in the penitentiary.

In February 1910, the National Bank of Cambridge, Mass., was closed as a result of the defalcations of George W. Coleman, individual ledger bookkeeper. The abstractions amounted to \$310,400 and were carried on for years by manipulating the books. The losses were in Wall Street operations.

#### *Stealing the Whole Bank*

In the history of American banking, as the writer has read it, there is but one instance where the defaulters stole the whole bank. The date was October 17, 1901, and the bank was the Merchants National Bank of Lowell, Mass. The capital was \$400,000, surplus and profits were over \$300,000, and liabilities were about \$1,500,000. Two men one a teller and the other a bookkeeper, entered into a plan to get rich quick. They planned to purchase stock in a concern that had promise of profit, and "borrowed" the money from the bank in order to do so. When they made their profit they would pay it back. They used the old method of crediting the depositor the full amount of deposit in his book and only part on the bank records, keeping the balance for themselves. The stock went down and not up, as they had contemplated, and so they plunged into speculation generally in the hope of retrieving their losses. The losses ran up to about \$100,000, but their operations were successful to the point of coming out whole within a few thousand dollars of the amount



taken. They were then caught "short" of the market and again their losses ran up to the original amount.

They then conceived the idea of stealing the whole bank, which they did to the extent of over \$2,000,000. Gaining entrance to the bank one night, they took the cash and securities with them to Boston.

Next they began to negotiate with the bank officials as to the terms on which they would return the securities and cash. After a few days negotiations the assets were returned, short only about \$1000 of the last amount taken. The culprits absconded and were never captured. It is believed that the embezzlers hoped to receive immunity from the first thefts by reason of their willingness to return the proceeds of their final coup.

The outstanding fact in a reading of these incidents is the inadequacy of the punishment. For a single hold up in the writer's native county a gang of burglars has received longer prison sentences than all the foregoing bank men put together. Is it not, therefore, a fair conclusion that there is a premium upon bank defalcation that does not obtain in the case of commercial theft? Is not the law, therefore, a respecter of persons, when it shows such marked partiality? The loss of money in itself is bad enough, but who can appraise the mental loss to those whose money is thus taken, never to be recovered?

#### *Prison Life*

Somewhere in the writer's files is a letter from a bank defaulter, written from a famous prison. In it he describes the prison life, with its recreational facilities, its tennis and hand ball courts, baseball diamonds, running track, etc. He says the food is good and the sleeping quarters excellent. He is "employed" in the mail department and an erstwhile banking friend has a "good job" in the parole office. Instead of the proverbial stripes, they wear white duck trousers, white shirts and shoes, and black ties. A reading of

this remarkable letter gives one the impression that instead of being a prisoner of state, the author is taking a good rest at the expense of society. "I am not a crook" he said to me, as I talked to him through the wire mesh in the county jail before he left for prison. "I just got caught in a bad mess and if I had had more time, everything would have worked out all right!" For nearly wrecking his bank; for causing a loss of some \$30,000 to the directors, more to the surety company, and perhaps inviting an unknown loss to the depositors, he received two years in prison. For stealing \$1,000,000 one bank officer recently got ten years; another who got away with \$75,000 got nothing—his friends made good. For systematically taking about \$5000 a year for ten years or more, another received a scant seven years. For causing a loss of about \$50,000, the central figure in the post office reception in that little town will probably get nothing.

Those who follow current banking history as it is reported through the financial press must be impressed with the frequency of bank defalcation; but more so by the meagre sentences received by the guilty parties. Scarcely a week goes by that one does not read of some case where this is true. For deficits running from a few thousand up to the hundreds of thousands the sentences do not run over five years, and usually but a year or two, sometimes with and sometimes without a nominal fine.

Perhaps one of the greatest inducements to bank men to betray their trusts is leniency toward the culprit if the abstractions cause no loss to the bank. In many cases the loss is covered by surety bond, while in others the loss is made good by friends, or is absorbed by the bank itself. It surely is very bad psychology to hold out to the younger men the fact that theft is condoned if no one in particular suffers. The tendency of the times seems to be to give short sentences in such cases, if any sentence at all, and thus place a

premium upon dishonesty. To witness such a breakdown of trust and see the guilty party receive a minimum sentence is bad for all who know the facts. To conclude that a man can get more by dishonesty than by honesty is destructive to all that is good in society. When the bank clerk comes to the conclusion that honesty does not pay, he is lost. If his ethical senses are blunted, he is apt to measure the pleasure had or to be had from ill gotten wealth by the penalty or the possible penalty, and conclude that it is easier to arrive by the embezzlement method than by the honor route. His sense of relative values is distorted and his conception of life is fundamentally wrong.

Imagine the results of these conclusions upon the minds of the younger bank men. What shall it profit a man to be honest, they say, if by being dishonest he can have a few years riotous living and a few years in jail? They forget, of course, that the defaulter is thereafter a marked man and can never hope for another job where honor is involved. They forget that he is branded a criminal by thinking men forever after. But the public has a short memory and soon forgets errors, particularly if the erring individual is a hail fellow, well met. They remember too, that there are many ways of making a living where the past does not count and where no man asks who you are or what you are—or were, but simply what you have to sell!

Somehow that impromptu reception by the holiday crowd in the post office has a sinister meaning; for does it not indicate that our viewpoint toward the bank defaulter is changing, and we are not only becoming more lenient but more adolescent in our conception of crime? So popular was this young man that

I verily believe he could be elected to his old post of honor in the town, or perhaps sheriff of the county!

It is no trifling thing to trifle with bank funds. It should never be made easy, either in the doing or in the punishment that follows. Shakespeare said something about stealing trash when you steal a pocket book, but the owner of the "trash" does not look upon it in that light. His "trash" may be his all. A bank defalcation is bad enough when it affects the surety company; it is worse when it affects the directors and the stockholders; but it is infinitely worse when it affects the purses of those who can ill afford to lose a dollar. The mental anguish that men and women suffer through anxiety and doubt when a bank man goes wrong is pathetic. It cannot be measured. It can never be repaid in coin. It is suffering for which there can be no recompense, and that after all is the most deplorable part of bank embezzlements.

In my bank I crave most of all honest men and contented. I cannot make them honest, but I can make them contented by proper remuneration. I can take away the desire and in part remove the opportunity by placing proper safeguards and checks upon the work. But I know that if any one determines to go wrong, he will beat me at my own game. I can, therefore, only hope that the force will so develop a sense of integrity toward the job that any thought of irregularity will be abhorrent—not because of the punishment that must surely follow, even though it be light; nor because of the social disgrace that ensues: but because in the long run they can only achieve true success by the honor process, even though that success be modest, the embezzler's philosophy to the contrary notwithstanding.



# What's Wrong With Our Banks' As Employment Centers?

Four Paramount Things That Bankers Can Do To Help  
Maintain Stability In Their Forces

By Allan F. Wright

THIS article presents the opinions of a man who has been a bank clerk, regarding the personnel phase of banking and is printed purely as a presentation of the subject from the bank clerk's point of view.—THE EDITOR.

**N**OT many months ago the writer was talking with a young high school student who would shortly be graduated and who had begun to think about finding some sort of congenial employment as commencement day approached. This is the story he told:

"I used to think that I would like to get into a bank but my father wouldn't listen to the idea. He said banking is slow, and that outside of the official positions there are few bank jobs that pay very much. I asked one of my instructors about it and he said he wouldn't advise me to enter the banking business unless he had some assurance that someone in a particular bank would keep an eye on me to see that I really had a chance to learn the business. What do you think?"

Within the last few years the name "bank clerk" seems to have fallen into a rather unfortunate general conception. Such attitudes, sad to relate, are typical of the present day attitude toward banking that is held by the average non-banker. And, still more unfortunately, this attitude is not confined entirely to those with whom it is a matter of no importance. Not a few of those within the profession are discontented, inclined to grumble, and apparently ready to admit that they look upon bank work as mere routine, affording no chance to do things really big.

Remediable though the writer believes such conditions to be, as he will shortly illustrate, this reputation which bank employment has established has actually served to deter college and university men from entering the banking business, and the large number of young men who drift in and out of this form of employment furnishes a basis for this general attitude toward bank positions. With such lamentable evidence that parents and educators are no longer practically of a universal mind in indorsing banking as a career, is it not time that an attempt was made to compose the difficulties and correct some of these employment conditions, as part of a rational protection for all concerned?

## *The Cost of Labor Turnover*

Labor turnover in a manufacturing or industrial concern always means a considerable degree of inefficiency, and to a certain extent, the same may be said of banking institutions, particularly if they are not well organized in their various departments. The constant coming and going of workers is very expensive. Investigations made among selected lists of banks have revealed the fact that it is not uncommon to find that fully 50 per cent. of a bank's employes were not in its employ three years ago. When it is remembered that breaking in a new man on an ordinary bank job takes from two weeks to six months, during which time he is a liability, it becomes apparent that the effect of a high labor turnover in a banking institution must make itself distinctly felt.

This feeling of unrest and discontentment among bank workers with its at-

tendant high labor turnover is a matter of no small regret, but it does not require any extraordinary perception to discern the real reason for the present state of affairs when one realizes how poorly most banking institutions are organized from the standpoint of internal efficiency. Most of the ideas of the men now engaged in the banking business took birth centuries ago and they have been handed down almost without change of feature in spite of the fact that they have little to commend them except their age. The banking business has married into its own family, so to speak, until all of its offspring resemble each other. It bears witness to the deficiencies of its own exclusiveness and stands in dire need of the vitalization that comes from the infusion of new blood.

#### *Selection of Applicants*

The first of the four things which bankers can do to reduce their labor turnover and improve conditions of employment in banks is to *make a more careful selection of applicants for bank positions*. What the banking business needs is a better internal organization with an analysis of the job and of the man. There are altogether too many square men in round holes in the banking world; too many men who picked the wrong job. The writer thinks that it is well within the bounds of a conservative statement to say that every bank, no matter how small, can furnish at least one example of the man who made this mistake but who thought otherwise until it was too late.

Bankers do not seem to view the matter in the same light. But why should they not exercise as much care in the choosing of their personnel as they do in the selection of their investments? It is a big responsibility, this placing of the right man on the right job, but the results of thoughtless or careless selection of personnel are everywhere apparent in the banking world. They are not only bad investments for the bank but in many cases are life-tragedies in the careers of the

men who are out of place. And the banking misfits are one of the most unhappy effects resulting from careless selection of personnel. *They are the ones who should have been eliminated at the outset as a certain type who could never become successful in the banking field.*

In watching the matter of selection more carefully one of the most important things to consider is the attitude of the applicant himself. Ought any young man consider entering into banking as a life career unless he has a real taste for the business and a capacity adapted to the work upon which he is entering? A boy is able to mull along somehow in the business of clerking in a bank without having many of those necessary qualifications, but he cannot under such circumstances, be otherwise than a failure as a bank clerk. He fails of promotion, is a burden to the other and better clerks, and is constantly harried by the feelings that he ought to have chosen some other line. Proof of this fact is being furnished with too painful frequency.

The writer was once asked the question, "How is a young man going to know whether he is making an advantageous move or not in entering banking as his life's field of endeavor? How can I be certain that I am on the right track?" This was the reply.

"I do not profess any knowledge of what leads you to become a bank clerk; whether you just 'drifted' in of your own accord, whether your parents had long entertained the fond dream of having a banker in the family, whether it was a wealthy relative's influence, a friend's choice or your own choice. But this is beyond all dispute. If it was not your own personal choice, after due consideration of the subject, you either will not remain a bank clerk long or you will be cheated out of a successful career—the chances are against you."

How much better it would be, bank executives, to impress upon the mind of the youthful applicant before he enters your employ that he must decide for

himself what his attitude will be toward these conditions which he cannot escape. Certainly it would be better than to feel thirty or forty years from now that it will be your duty to pension him because he will then be past re-educating and not competent to hold down even his routine job. And all because you tried to make a banker out of a man whose mind was probably on law, medicine or civil engineering.

#### *The Qualifications Needed*

D. C. Wills, late chairman of the board of the Federal Reserve Bank of Cleveland, once said that the motives that ought to impel a young man to take up banking as a career are: (1) a conviction that he will succeed in it and that it has an appeal for him, and (2) a conviction that he possesses at least a few of the natural qualifications for the banking business; viz., an ease in using and analyzing figures, an ability to say "no" and a disposition to be practical rather than visionary. That, to the writer's mind is conclusive.

Is one to think that we would have as many grumbling "time servers" being allowed to go on year after year in banks without the slightest chance of ever getting anything better if those facts could only have been hammered into their heads the day they came looking for a position? The writer does not think so. Not if their various inclinations and natural capabilities had been studied and the possibilities and limitations of the banking business explained to them so that they could get a good idea of what they were going into before they started.

Of course there are circumstances where the supply of bank workers has been small and the consequent demand large, the occasion necessitating the selection of the first applicant presenting himself. again reducing the probability of employment of the right type of men, but the writer believes that every bank which employs a large force of workers should require every applicant to submit a formal application blank contain-

ing such information as the bank may desire. Each of these applications should be rated as to desirability, classified as to possible positions the applicant may fill, indexed, and kept on file so that the bank may have as wide a survey of the field as possible.

If banks get close enough to applicants to study their individual qualifications and needs and *make sure they are starting the right man in the first place* it is reasonably certain that there would not be so many sliding down the scale and out to seek new opportunities.

#### *Advancement on Merit*

The second thing which bankers can do to reduce their labor turnover is to *get the notion out of their heads that advancement is a matter of time and not endeavor*. The extent to which mere routine work has been rewarded in the banking field is remarkable and unparalleled. Too much stress has been wrongly laid on mere length of service as a factor in determining advancements and wages in bank work. There is too strong a tendency on the part of some employes to use the excuse of a long period of service and to get by with a secondary quality of work. In few words, a more careful analysis of what certain work is worth, regardless of who does it, should be made in fixing wages and advancements in banks.

Bankers frequently complain that they cannot get young men of ability who have head enough to qualify for the more responsible tasks. This is undoubtedly true, but one may venture to say that it is only the legitimate offspring of their own policies. There is a certain truth in the criticism that more than likely the explanation lies in the fact that bank executives have not taken the trouble to train promising young men who had a genuine aptitude for the business and promote them on the basis of proved ability and fitness, rather than give priority to someone older in the service who may be less capable.

One may presume that bankers think of boys in their employ of

one, two or three years service as simply one-year men, two-year men and three-year men. The writer has known junior bank clerks who made themselves 250 per cent. examples of efficiency, whose whole concern centered on improving the work of their department, but is it to be supposed that they could ever get 150 per cent. or even 100 per cent. of the pay? One is not inclined to think it was wholly because the bank was intent upon amassing things for itself or because the management was too busy looking after its own interests. The truth of it was they would have been glad to buy these men for life at their own price but they stood in fear of a storm of protest all round. They must by no manner or means give the laggards and the old timers grounds for anything to fuss about.

*The result of this policy is that today there are wide-awake ex-bank men who are being handed out the coin of the realm outside of banks all over the country because their former employers did not dare to give them the advancement they earned.* The ill-devised characteristic of our banking institutions is that they do make good for initiative after the first half-dozen years. But it's too late. The bank may lock the stable after the steed has been stolen but the young man has already come to believe that time is the essence of the agreement.

Let us have an eye to the day—let us set our hearts upon it, too—when we will have a minimum salary for the dawdlers and do-littles but a bank without any roof for the nimble-witted boy who has in his makeup the germ of great ideals. Because if bank executives don't lift off the lid for this type of young man—for the youth who commits the rashness of having his wits about him prematurely—then he will go outside anyway to command a view of the beautiful sky above him.

#### *Training and Personnel Records*

It would seem that the banking business should be a particularly easy one

in which to establish promotions on the basis of proved worth. In addition to the many different classes of work to be performed which require different degrees of skill and ability, another peculiarity is the fact that young men may be taken into it and gradually advanced to more important positions. During the process of training these young men there should be an unusual opportunity to select those who have earned the right to be regarded as most deserving and promote them to more responsible work. Apparently the banking business should have less excuse for not having an efficient organization than almost any other type of business.

It is not the purpose of this article to outline any elaborate system of personnel records but it has come to be generally conceded that every bank of any size should keep adequate records of the past and present performances of all its employes. In a very small bank the cashier can see what is going on for himself and keep past performances in his head, but in a big bank that is utterly impossible. Few bankers seem to appreciate that something should be done to meet the latter situation. Yet it is true that an employe can have no greater driving power than the knowledge that his work is being watched, that his performances are actually being recorded, and that this record will come under the eyes of the officials of the bank.

If such a system was really established and an analysis made of the character of the work to be performed and of certain qualities of respective employes to perform it, *with promotions and salaries based on results and not on length of service*, every bank would adjust an inequality of long standing and go a long way toward greatly reducing its labor turnover.

#### *The Democratic Attitude*

The third and perhaps most important thing which bankers can do to better employment conditions in banks

and reduce their labor turnover is to *adopt a more democratic attitude toward their subordinate clerks*. The present plan of organization in banks may be called for but it is unmistakably regrettable from a personnel aspect. It is sown with many weaknesses that are attended by very unpleasant consequences. There is too much of a certain high-handedness about the way some bank officials and boards of directors have of handling matters relating to their employes. Too many policies savor of a harsh aggressive paternalism. I do not want to use stronger language than the facts justify but it seems to me that men high up in other fields are on the whole less impervious to reason than bank executives, are more flexible to resolutions not formed in their interests and are more democratic in their attitude toward their junior clerks.

It has been a rather trying ordeal to even the exceptional man to attempt to bridge the gap in the average bank between the higher clerkships and the executive ranks. We live in no soft and easy days, of course, but even the best type of man finds it difficult to possess his soul in patience when he finds that gap in some banks a veritable chasm, too wide and too difficult to ever think of being spanned. The result is that many banks appear to have become imbued with the spirit of autocracy and assume the semblance of a kingdom, with its ruling class, its mailed fist, its secret diplomacies and such things.

The day the writer first began work in a bank he had but one goal and one ambition, and he cannot refrain from expressing his regret at this time that the goal was far more remote than he had supposed it to be. "Our men mustn't fill their heads with too lofty aspirations," one banker said. "A liberal education is a fine thing to have and these educational courses are all right in their place but we must be careful about spiring up our people too much or they'll get dissatisfied and leave."

Now while the writer is not prepared to say that this man expresses the composite opinion of bankers in general, there are not wanting signs of a tendency on the part of a great many others to translate the matter into much the same terms. The officers may keep perfectly mum about their views but their clerks, the victims of such a self-indulgent policy who have moved in the same rut for years, are not in the least reluctant about it. Too often one finds bank men whose initiative has been killed, who have been thus worn out by the years of ceaseless routine under stern discipline. It is unfortunately true that youths of bright prospect are all too often broken-down in spirit, sometimes in health, by the relentless monotony which they hope leads on to the crown of their profession.

There is no reason to expect that the great multitude of men and women employed in banking institutions will always be of the finest type, because many positions in a bank require only average or moderate ability and the very force of competition tends to keep both sides in balance; but there is a great danger that even the young man full of promise may become middle-class if he is kept on unimportant work too long. The large metropolitan bank has been one of the most discouraging places for a young man to enter business life because few such institutions have an organization that can pick the exceptional man out of the crowd and keep an eye on him to see that he is given a chance to display his ability in positions of increased responsibility.

"But," says one banker, "how are you going to shut your eyes to the fact that we do need steady employes and the reality that there aren't enough jobs at the top to take care of all the hustlers? You must remember that there are some bank jobs that are nothing but ruts and we've got to employ a lot of rut dwellers who will be content to move in a well-beaten path."

*Not All Clerks Can Become Officers*

Obviously not every junior bank clerk can become a bank officer, for promotion does not come to everyone. Under some circumstances it cannot, however deserving of promotion the subordinate may be. But certainly something can be done towards bringing these matters to a much happier and eminently more satisfactory issue.

First of all, applicants for employment could be more carefully selected, for the prudential reasons already dwelt upon. An attempt could be made to select those people having a natural aptitude for the banking business, and particularly those who want to make it their lifework. After selecting men of real ability and fitness, they could be given a thorough preparation and schooling, thus insuring a competent, efficient man on every job, and eliminating loose screws.

Allowing that many of these first-rate men might not be satisfied with certain positions, assuming that some of them were only kept half as long, would twice as much in results be obtained from them? Couldn't the bank get along fully as well with a smaller staff. *If a bank has a man who it knows can never prove himself worthy of advancement the bank owes it to itself and to that man to tell him so in a perfectly frank and straightforward manner so that he can get out and try something else before it is too late.* If a bank selected capable men and gave them the proper training, the necessity would seldom arise for it to go outside to find men to fill the more responsible positions. *The money which the bank might otherwise devote to the engaging of high-priced outside talent would be spent on the careful selection and thorough training of beginners.* By adopting this practice that particular bank would help to place a safeguard against further occurrences of this too general practice among banking institutions—the custom of appointing outsiders to officerships.

Such a plan would greatly lessen a bank's labor turnover; would permit its employes to make reasonable progress; and would enable the institution to select more of its executives from the ranks.

*Bank Clerks' Salaries*

The fourth thing which bankers can do to reduce their labor turnover is to *establish a general level of bank salaries that will be on a par with those paid workers in other lines of business.* Working in a bank, to my mind, is no extraordinary privilege, but it would seem that bankers have long been capitalizing their popularity and attempting to smother down a good many of its shortcomings by the revival of the old humbug that bank work is to be desired because of its social prestige. The writer is not, like Oliver Twist, simply asking for more, but believes that such methods are hardly capable of defense. And a comparison of bank salaries and those paid in other businesses will demonstrate to a mathematical nicety that banks do generally take unfair advantage of this old sentiment about working in a bank.

Probably bank heads themselves will not disclaim the fact that most bank men are miserably paid, but will insist upon the point that they are getting as much as they are worth. It must be admitted that there are plenty of mediocre men and women bank clerks—plodders lacking energy and constructive ideas, creatures of moods and moments, drifting like idle straws at the mercy of the wind—and the type of man that we should have in banks is the type of man who goes to the bar because he means to be a judge, but let it be said with all possible emphasis that if bank clerks were given more stimulus in the way of salaries that would enable them to live in a manner befitting their position in life. *bearing upon their ability and accomplishments always,* there would not be any such large labor turnover and banking as a calling would attract more brilliant and wide-awake men to it.



Paying due regard to all of the advantages which the bank clerk enjoys over the worker in general business service, one wonders if even all these can counterbalance the one advantage enjoyed by workers in other lines—something more available for their efforts in the way of dollars and cents? There is no use in turning one's back upon the laws of human nature. It may give the bank clerk a small amount of satisfaction to hear people refer to him as "working in a bank," but ambitious men are bound to go where the returns are greatest, not where position itself is the most significant feature.

If bankers would only adopt the suggestions ventured along these four lines—a more careful selection of men, advancement on the merit basis and not on seniority, a disposition on the part of those higher up to reason rather than rule, and a higher general salary level for bank workers—an entirely different situation would be found in the banking field. These four improvements would promote the stability of the working forces which support our entire banking structure, and would thereby restore to banking as a profession the hold on the popular imagination that it once enjoyed.



## Monopolies and Consolidations

By R. S. Hawes

Vice-President First National Bank in St. Louis

**P**ROBABLY one of the most interesting developments that has occurred in American business in the last half century, has been the gradual change in both the attitude of the public towards so-called big business and in the policies of big business itself. For many years the traditional American attitude with respect to large industrial units was extremely antagonistic, because many of the earliest consolidations were built upon essentially selfish motives which expressed themselves in the old "public be damned" policy. Gradually, however, this has been changing. Big business discovered that it could not operate profitably without favorable public opinion. Large companies found that when they endeavored to take undue advantage of their monopolistic position they inevitably failed. Public resentment in such cases invariably succeeded, through various types of restrictive legislation, in drying up the sources for new capital and thus forcing such concerns into receivership. The whole trend of modern large scale business, while it is still in the direction of consolidation and the elimination of uneconomic competition, is today entirely different in its purposes from what it was a few generations ago. The aim

is no longer to secure monopolistic price control but rather to secure the largest possible volume of business at a price which will attract the maximum number of buyers. The object today is to secure the benefits of quantity production and the efficiency that goes with this method rather than the unrestricted control over price which monopoly was once supposed to give.

It is now almost a common practice for the larger industrial units to pass on to the consuming public, in the form of lower prices, a portion of the savings secured from large scale mass production. A study of the earnings of large establishments today seldom shows an unreasonable rate of return on invested capital. Exceptionally large returns are more often found among smaller than among the large business concerns, for the reason that whenever a concern dominates a market, it finds that a volume of business sufficient to fully utilize its plant capacity is more important than merely a high price for a few units. To secure volume, price must be attractive enough to reach the maximum number of buyers and hence the public is protected by the very requirements inherent in big business.

# Western Regional Savings Conference

Savings Bankers Should Help Customers on Investments—A Code of Ethics for Savings Banking—Peak of Prosperity Nearly Reached

**S**AVINGS bankers and all bankers, for that matter, were severely criticized by W. R. Morehouse, vice-president Security Trust and Savings Bank, Los Angeles, Calif., in his address on "The Wildcat Promoter, the Hijacker, and the Savings Depositor," before the Regional Conference of the Savings Bank Division of the A. B. A., held at Portland, Oregon, February 25-26. Banks are teaching thrift to depositors, he said, but they are failing to teach them how to invest or keep the money saved. Each year, enormous sums of money are lost by savings depositors through investment in fake securities and other get rich quick schemes, with no further effort on the part of bankers to stop these losses than vague warnings from time to time to beware of fake schemes and ill-advised promotions.

In the few cases where depositors call for advice regarding contemplated investment (said Mr. Morehouse) it is common practice for banks to side step a direct, open and above board reply and to evade giving a clear cut opinion as to the investment except, of course, when depositors ask concerning municipal or U. S. bonds. But in most cases where the investment has not already established a good record for safety and income, the banker's answer is of a "yes and no" variety, with the result that the investor goes away and makes the investment. The truth is, the average banker needs a little more backbone when his depositors' savings are at stake.

## *Some Wildcat Schemes*

Mr. Morehouse, who is chairman of the board of directors of the Los Angeles Better Business Bureau, gave a number of examples from his experience with the bureau:

A group of men undertook to promote a vending machine. Their plan called for the sale of \$37,000,000 worth of

leases in the United States. Similar projects previously started throughout the United States had failed. The average daily sale of one of these machines is only \$3.10, which makes it an unprofitable investment. In three months



W. R. MOREHOUSE

Vice-president Security Trust and Savings Bank, Los Angeles, Calif., who says swindling is becoming so common that "hijackers" are appearing, who swindle the swindlers

time, the promoters sold over \$2,500,000 of these leases, of which \$1,000,000 was taken by the promoters as commission. All that is left of the original investment is less than 10 cents on every dollar.

Another method of defrauding is the endless chain scheme, which, by cleverly worded advertisements offers five pairs of silk hose worth \$2 each for \$1. Each victim pays \$4, and receives three \$1 coupons which she must sell to her

friends, who must come in and pay \$4 each, get three coupons each, which they must sell, etc., etc. In case any of the three does not come in with her \$4, the contract of the original girl is blocked, and she loses the money she has invested. The vastness of this scheme is realized when it is explained that only twenty-two expansions of it will include more people than there are in the world.

A widow, left alone in the world, with but \$6000, was invited to go on a pleasure ride to view a new town site, and was persuaded by the high-pressure land salesman to sign a contract to purchase a vacant business lot for \$6000 cash. A month later she found that the contract (which she had not read) called for her to purchase six \$6000 lots, and that her payment of \$6000 covered only the initial payment.

A loan shark exacted \$925 from a man for a loan of \$350, to send his wife to a hospital. The same man charged a woman \$650 for a loan of \$165 to meet a payment on her furniture. He did this by charging a wide range of fees, requiring borrowers to buy stock in his company, requiring them to take out large amounts of life insurance, for which he received a liberal commission, etc.

In fact, according to Mr. Morehouse, swindling has become so common that the hijacker, who swindles the swindler is appearing in the investment field.

#### *Investment Principles for Savings Depositors*

"The solution to this great problem is in the hands of the bankers," he said. "If they will co-operate with those who save they can make it hard for these plunderers to continue in the business of plundering." They can do this by reminding depositors:

1. That three cardinal points of all good investments are safety of principal, certainty of income, and salability.

2. That safety of principal is more important than a high yield; the promise of big returns usually signifies a speculative risk.

3. That investing in an unknown promo-

tion is like taking a leap in the dark; "investigate before you invest."

4. That it is morally wrong, if not criminally so, to invest in any skin-game, or fraud, with the hope of getting from under before the scheme collapses. To do so, one must deal with swindlers, and is likely to be swindled.

5. That it is unsportsmanlike to gamble away hard-earned savings.

6. That if a promotion is as good as it is claimed to be, high pressure salesmen and questionable methods, especially the familiar "rushing" tactics are not necessary to sell its securities.

7. That the high pressure men usually sell to those inexperienced in investment, because they cannot sell their stuff to experienced men.

8. That the glib-talking promoter is not a true friend of the savings depositor, but usually a wolf in sheep's clothing.

9. That for every oil well that pays dividends, there are many dry holes, and that for every promotion that is successful there are a thousand failures. The savings depositor's chance of winning is too small to justify the risk involved.

10. That savers should steer clear of stock, shares or units in world-revolutionizing inventions which are peddled in front of empty storerooms, or sold from house to house, or through the mails.

11. That in investments, also, "an ounce of prevention is worth a pound of cure." Bad investments are seldom converted into cash.

#### *An Ancient Practice and a Modern Profession*

Going over the history of savings banking, Thomas F. Wallace, treasurer Farmers and Mechanics Savings Bank, Minneapolis, Minn., in his address "An Ancient Practice and a Modern Profession" said:


The savings bank idea is as old as history, but probably the earliest savings banks which were officially recognized were those established about 200 A. D. by the Roman Emperors for the accommodation of their soldiers on foreign service and were known as legion banks. Way back in ancient Babylon, one Egibi, over 600 years before Christ established a bank which undoubtedly had a savings department for it existed for over 100 years and conducted a business that in magnitude would compare favorably with some of our largest banks in the United States today. Banking was well understood in ancient Athens and, while it languished during the Dark Ages, it revived with the growth of commerce about



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the middle of the twelfth century and spread over all Europe.

#### *The Palmy Days for Savings Banks*

The Bank of Amsterdam, founded in 1609 and owned by the city itself, and which endured until 1802, might be taken as typical of these. In one sense it might be characterized as a savings bank in its primitive form, for it was not intended as a loan bank at all, but used as a depository for money and bullion. However, far from paying any interest on monies or bullion left with it, it exacted a charge for their safe keeping and, if left more than six months, an additional charge was made. Other sources of profit were not overlooked by this institution. Every new depositor was charged about \$4 for opening an account, and on every new deposit another \$3, for they treated the deposit as the unit and not the individual as we do today. Then, if a depositor failed to balance his account every six months, he was fined \$10, so you will not be surprised to learn that in some years the profits were very handsome. Yet it must have performed a real service for, despite all these charges, in 1762 when, as a result of political disturbances, there was a run on the bank, some of the coins paid out showed that they had been lying in the vaults of the bank ever since it had been founded more than 150 years previous.

#### *Savings in Merrie England*

But if the life of a savings depositor in a bank was a hard one in ancient days, how much harder was the case of the age which had no bank in which to deposit. One man of means in Merrie England, in Robin Hood's time turned his savings over to a goldsmith for safe keeping, but becoming worried lest through dishonesty or robbery he should lose it, sent it to his wife who was living in their home in the country. She, trusting that all the neighbors would be at church, buried it in the garden of a Sunday morning but when her husband learned of this he rushed pell mell to his wife in desperate fear that ill might happen to her and then no one would know the spot where the treasure was hidden. Arriving at night he dug the treasure up by lantern light, broke the box it was in and lost nearly a hundred pieces in the ditch. The following morning he renewed the search washing out the earth with pail and sieve, and

records in his diary, "I am pretty well satisfied that my loss is not great and do bless God that it is so well."

Saving, then, said Mr. Wallace is no new thing. It has become so common and the sums saved so great that savings banking has now attained the dignity of a profession, requiring (as all professions do) special training and proved ability to secure admission to its ranks; having fixed standards observed by the members in carrying on the work of their profession; and constantly endeavoring to attain ideals and standards of service superior to those that at any given time prevail.

#### *Savings Bankers' Code of Ethics*

While Mr. Wallace did not present a complete code of ethics for the savings



THOMAS F. WALLACE

Treasurer Farmers and Mechanics Savings Bank, Minneapolis, Minn., who has drawn up a tentative code of ethics for savings bankers

bank business, he suggested a few cardinal principles:

1. The savings banker owes his primary allegiance to the depositor, whether he is conducting a mutual savings bank, or a savings department in a trust company or a commercial bank.

2. Savings funds in banks, irrespective of their form of incorporation, should not be subjected to the risks incident to commercial business, but should be segregated and invested only in securities such as are legal for the investment of trust funds in the states in which they are located.

3. These investments should be segregated so that savings depositors would have a first lien upon them.

4. The savings banker should constantly endeavor to improve his profession.

In line with this last item, Mr. Wallace brought up the question of building and loan associations which has been causing the savings banks serious

halls, he said, so that these unjust discriminations can be cured and savings depositors protected.

"Another factor which is a menace to thrift and the prosperity of savings banks," he said, "is the unwise extension of instalment selling of merchandise, and especially of non-essentials and luxuries." He continued:

The spirit of the times in this respect is illustrated by the story of the woman who went into a bank and said, "I should like to open an account." The cashier answered, "We will be very glad to accommodate you. What amount do you wish to deposit?" only to be met with the reply, "Oh, I have no money. I mean a charge account, such as I have at the store." The drain upon capital through instalment financing is beginning to be noted in official circles but the duty of sounding a note of warning and of pointing out the dangers from this source is primarily upon bankers and especially savings bankers, and unless we lend our influence to see that the peoples' earnings are sanely and properly used and conserved, we should not complain when later we find prosperity undermined and the devil in general to pay.

#### *Business Conditions and Prospects*

A. L. Mills, president of the First National Bank, Portland, Ore., in discussing "Business Conditions and Prospects" hit upon a somewhat novel way of visualizing the situation in balance sheet form. In the foreign conditions, the assets he found are the adoption of the Dawes Plan, the Locarno Conferences, England's return to the gold standard, and Germany's stabilization of her financial system. The liabilities include the troubles the French are having with the Riffs, the Mosul oil disagreement, the lack of stable government in China, Mussolini's hostile attitude toward Germany, the continuance of communism in Russia, and the war debts and depreciated currencies. "Strike a balance for yourselves," said Mr. Mills, "and when you have done so, confess at least that foreign conditions are not all they might be wished, and that caution and conservatism must govern our conduct in dealing with for-



A. L. MILLS

President First National Bank, Portland, Oregon,  
who frankly pointed out the danger of present  
business conditions

concern. They are competing with the savings banks for the deposits, but they are not required to operate under the same laws and regulations that the savings banks must operate under, for the protection of depositors. One of the duties of savings bankers is to make their voices heard in the legislative

eign securities and the transaction of foreign business. . . . And, parenthetically, let me here caution you guardians of the savings of the people against investing too heavily in foreign securities, however attractive the rate of interest may be. Think twice—and then don't, unless the security is time proved and rings true to every test known to finance, such as is the case with the obligations of John Bull and his dependencies."

The assets in the domestic situation are the ample supply of money, fair prosperity in the steel business and great prosperity in the automobile business, investors' confidence, reflected in the stock market, cautious purchasing by merchants, unprecedented building, efficient railroads, and increased buying power for the farmers. The liabilities are inherent in these assets: easy money encourages speculation and instalment buying, the automobile industry cannot expand forever; the building boom

shows signs of falling off. Striking a balance, Mr. Mills concluded:

In my belief we are approaching the peak of prosperity, and we do well before we reach the top to look to our brakes. Doubtless as most prophets say, business will be good for the first half of 1926, and possibly much longer, but it were well if each savings banker would scan his investments closely, remembering the greater the rate of interest, the greater the risk. Look closely to the value on which loans are predicated, and when in doubt, say no. Let sound conservatism govern in the determination of loans and investments.

It is very encouraging to hear bankers at last beginning to speak out plainly when they believe prosperity is reaching its peak, instead of continuing the senseless policy of expecting prosperity to continue forever, which has been common for so long. For "the more the business world knows about dangers ahead, the less dangerous they are. A storm that is accurately predicted does not wreck ships."



## A System That Tells When To Order

By Russell Raymond Voorhees

**B**ANKS as well as other commercial houses frequently find it difficult to always keep a sufficient quantity of their various forms, stationery and other supplies on hand. When the supply runs low they re-order but before the new supply is received, it frequently happens that the old stock becomes exhausted. A large bank in an eastern city has worked out a system that has completely overcome this danger.

They have fixed what they call a "minimum quantity" of every item that they use. What this quantity is is determined by the rapidity with which it is used and how far away the source of supply is. In no case is the quantity less than a month's supply and in some instances it is six weeks' supply.

This "minimum quantity" of each item is tied up or wrapped up so that it is apart from the rest of the stock. Then it is put with the rest of the stock in its proper stock bin. The stock clerk knows whenever he breaks into one of these "minimum quantity" packages that he must report it at once to the purchasing agent who immediately reorders what he decides is the proper quantity of that item. By using care in the determination of these "minimum quantities" it is possible to never run out of anything except in rare instances when shipments might be delayed. By the time the "minimum quantity" has about become exhausted the new stock is received and a new "minimum quantity" tied up and put in the bin.





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# Banking and Commercial Law

SPECIAL

**THE BANKERS  
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SECTION

## Bank Stockholders' Voting Trust Agreement Held Invalid

National Liberty Insurance Co. of America  
v. Bank of America; Tompers v. Same,  
New York Supreme Court, Special  
Term, Part 1. March 10, 1926.

**A** VOTING trust agreement, under which the stockholders of a bank transfer the voting power of their shares for a period of ten years to three trustees, two of whom are officers and all of whom are directors of the bank, and authorize the trustees to consent to the merger or consolidation of the bank with any other institution upon any terms which they see fit to make, is invalid as against the declared public policy of the State of New York and contrary to §50 of the Stock Corporation Law of New York as amended on March 12, 1925, which amendment will be referred to later.

This is the effect of a decision of Judge Proskauer in the above entitled actions, handed down on March 10, which were proceedings brought by the owners of shares of the defendant bank and voting certificates to restrain the trustees from voting the shares held by them as trustees.

Such an agreement, the court holds, cannot be saved by an allegation that the proceedings are brought by persons who are attempting to buy the bank's stock with the purpose of consolidating it with another banking institution.

The validity of voting trust agreements has been passed upon by the courts of various jurisdictions in a number of instances. In general, it may be stated that voting trust agreements are not in themselves unlawful and that their validity depends upon the objects which they are intended to carry out or the powers which they convey to the trustees. For instance, a voting

trust agreement, the object of which is to carry out a particular policy, with a view to promoting the best interests of all the stockholders, has been held valid. On the other hand, voting trusts designed to bring about the practical merger of two or more corporations in defiance of law, or to give one corporation control over another or to create a monopoly have been held to be invalid.

The court pointed out that a voting trust among the stockholders of a bank and a voting trust among the stockholders of a commercial corporation are not one and the same thing. The banking business is affected with a public interest. Bank directors are required to take a sacred oath of office and to make an independent audit of the affairs of the bank annually. Each director is required to own in his own right stock of the value of \$1000. The stockholders of a bank are subject to the double statutory liability in favor of creditors. And §26 of the General Corporation Law provides that no officer, clerk, teller, or bookkeeper of a banking corporation shall act as proxy for any stockholder. This act of the legislature, prohibiting the issuance of a proxy to a bank officer, carrying the right to vote at a single meeting, the court held, would indicate an intent not to render valid a voting trust conveying to bank officers the right to vote stock for a period of years.

Prior to 1901, the validity of voting trust agreements in the State of New York was a matter of uncertainty. In that year, §50 of the Stock Corporation Law was passed. Under this provision, voting trusts for a period not exceeding ten years were declared to be valid. On March 12, 1925, however, this provision was amended by the addition of the following sentence: "This section shall not apply to a banking

corporation." Prior to this amendment, the court stated, a voting trust of bank stock, if it did not designate as voting trustees, officers, directors, or employees of the bank, might have been valid. The court did not feel called upon to pass upon this question, because of the fact that a substantial portion of the shares held by the voting trustees was acquired by them after the date of the amendment.

The opinion of the court in full follows:

#### OPINION

PROSKAUER, J.—Plaintiffs sue to restrain the individual defendants from voting, and the corporate defendant (hereafter called the bank) from permitting to be voted, stock of the bank held by the individual defendants as voting trustees under a voting trust agreement dated December 31, 1924. The plaintiff National Liberty Insurance Company of America owns 2500 shares of the bank's stock, valued at approximately \$900,000. The plaintiff Tompers holds voting trust certificates for 1024 shares of such stock, worth approximately \$350,000. The bank is subject to the state banking and corporation laws. The individual defendants are, and were on December 31, 1924, respectively the president and director, the vice-president and director, and a director of the bank. The voting trustees hold a majority of the stock of the bank. A substantial portion of this they acquired subsequent to March 12, 1925, the date of an amendment to section 50 of the Stock Corporation Law, eliminating banks from the scope of its provisions, which regulate the creation of voting trusts. The attorney-general, as *amicus curiae*, on behalf of the banking department, supports the motion. By the agreement the stock is to be transferred of record to the trustees (or their nominee) to be voted by them for ten years; any stockholder may become a party. It prescribes no course or policy for the voting trustees. Accentuating their unlimited discretion, paragraph 16 provides that they may, but are not bound to follow the demands of a majority of the certificate holders. This is a voting trust agreement of bank stock with bank officers and directors as voting trustees.

The precise question is whether it is against the declared public policy of this state to permit stockholders of a bank, re-

taining all beneficial interest in their stock, to turn over the voting power, even by voting trust agreement, to officers and directors of the bank. Banking is a business affected with a public interest (*Noble State Bank v. Haskell*, 219 U. S., 104; *McLaughlin v. Dillingham*, 264 U. S., 370). It has peculiar obligations and correlative peculiar restrictions upon its management. Its directors are charged with serious responsibility. They must take an oath of office as sacred as that of a public officer (*Banking Law*, sec. 124). They are required by section 131 of the Banking Law to make an independent audit of the affairs of the bank at least annually. They cannot discharge this duty through their officers. The responsibility is placed upon the directors *per se*. Every one is required to own, and to make oath that he owns, beneficially "in good faith" and in his own right, stock of the value of \$1000. Its stockholders are under double liability (*Banking Law*, sec. 124). For the public protection their legitimate self-interest to escape such double liability is invoked to cause them to choose directors who will faithfully discharge these important duties and exercise a check upon the officers. The statutory scheme is clear that there should be domination neither of directors by officers nor of stockholders by directors. To this end the legislature enacted by section 26 of the General Corporation Law that "no officer, clerk, teller or book-keeper of a corporation formed under or subject to the Banking Law shall act as proxy for any stockholder at any meeting of such corporation." Directors are embraced within the word "officer" (*Two Opinions of Attorney-General*, 1912, 285; *Eastman v. N. Y. Tel. Co.*, 86 App. Div., 563; *Tarbell v. Eaton*, 49 Hun, 209, 113 N. Y., 623).

Distinction is made in the authorities cited by defendants between certain aspects of a proxy and of a voting trust. They do not reach the heart of the matter. While, as pointed out in *Cushing on Voting Trusts* (p. 124), the proxy creates a temporary relation, and the voting trust confers qualified title with an irrevocable authority, the statutory prohibition against proxies to bank officers is here significant to the extent that it is logically imported into the situation presented. As is stated by *McLaughlin, J.*, in *Schley v. Andrews* (225 N. Y., at 114), while a statute may have "no

direct bearing on the question being considered, it indicates by its enactment a legislative intent" which is to be considered in determining a public policy. Issuance of a mere proxy of bank stock to bank officers for one meeting is forbidden. A fortiori irrevocable authority to bank officers to vote stock over a period of ten years under a naked trust must in reality transgress the legislative declaration of policy. Prior to the amendment of 1925 a voting trust of bank stock, if it did not name as voting trustees, officers, directors or employes of the bank, might have been valid. No device could have been valid by which the voting right, disassociated from beneficial ownership of bank stock, should be lodged in its officers. Its stockholders, in response to the urge of legitimate self-interest, are called on to elect freely a board of directors that shall be neither dominated by officers nor self-perpetuating. If the officers and directors may control elections, the statutory independent audit by directors for the protection of stockholders and depositors becomes a futile gesture.

I do not (nor indeed do the plaintiffs) impute improper motive to those who created this agreement. The invalidity lies not in their motive, but in the device itself. It essentially lends itself to improper conduct of a quasi-public institution. It is therefore against public policy, irrespective of whether it has been improperly used. This illegality taints the agreement whether or not it be regarded as created independently of the provisions of section 50 of the Stock Corporation Law.

There is much contention on argument and in brief as to whether any voting trusts are valid de hors the statute. This question cannot receive categorical answer and need not for the purposes of this motion. The law has been admirably stated by two text writers, Marion Smith of the Georgia Bar in 22 *Columbia Law Review*, at page 627, and Professor I. Maurice Wormser of the New York Bar in 18 *Columbia Law Review*, at page 123. The former writes from a viewpoint antagonistic to the common-law validity of voting trusts; the latter from an opposite viewpoint. Their conclusions as to the case law, however, are in substantial accord. *Bostwick v. Chapman*, generally referred to as the *Shepaug Voting Trust Case* (60 Conn., 553, 24 Atl., 32) in 1890 (afterwards followed in New Jersey) (*Cone v.*

*Russell*, 48 N. J. Eq., 208), held that it was ipso facto against public policy to divorce the voting power from the beneficial ownership of stock. It has been followed by the great weight of authority in America (see cases cited by Mr. Smith in 22 *Columbia Law Review*, at page 628, footnote 3) and repudiated by a substantial minority of other American authorities cited by Mr. Smith at page 629 and by Professor Wormser.

Between these extremes is a middle ground of general concurrence upon which the ultimate decision of this motion will rest. For certain purposes, such as protection of creditors on actual or threatened insolvency, security for loans, execution of legitimate plan of corporate management specified in the agreement or of a pooling agreement (in jurisdictions where they are valid), and generally where the voting trust is coupled with an interest in the trustees, all jurisdictions sustain the legality of the voting trust. Compare *Cone v. Russell* (48 N. J. Eq., 208), which holds that in general a voting trust agreement is ipso facto void, with *Frost v. Carse* (91 N. J. Eq., 124), which holds a voting trust agreement valid where its stated purpose was "to preserve the identity of those who formed and developed the company, and to protect the stock from purchase by the German Government agents during the World War." On the other hand, no voting trust agreement is held valid where its purpose is contrary to accepted public policy. The test is thus stated by Professor Wormser: "A voting trust agreement should not be condemned per se. The validity of the trust should be made dependent upon the purposes for which the trust is created, the powers that are conferred and the propriety of the objects in view." Mr. Smith states it: "A separation of the voting power of stock from its real or beneficial ownership, irrevocable for a fixed period, is contrary to public policy and void unless: (1) It is coupled with, or to protect, an interest, or (2) made to carry into effect some determined plan or policy to which the voting trustee is bound, or (3) it is merely a pooling contract under which the real owners reserve the right to direct the voting trustee."

Defendants establish at most that a voting trust is legal if it comport with general law and policy, and not otherwise. The vice found in this agreement would invali-

date it under these fairly stated rules even in those jurisdictions which independent of statute approve of proper voting trust agreements. It states no determined plan; it is not coupled with an interest; it secures no debt; it is not accessory to a pool, and there is impropriety in its declared object to vest voting power in bank officers. Moreover, any such agreement must stand or fall upon section 50 of the Stock Corporation Law passed as section 20 in 1901. I have found no decision of any court of this state purporting to decide whether theretofore a valid voting trust agreement could be made. Examination of the leading text-books of that period discloses that the law was regarded as unsettled and inharmonious (Clark & Marshall on Private Corporations, 1900 Ed., p. 2019; Cook on Corporations, 1898 Ed., p. 1186). The latter author, in describing what we now call a voting trust agreement, says: "Another plan was to place the stock of the various parties in the hands of trustees with power to transfer the stock to themselves and to hold and vote the same. \* \* \* But this plan failed. The courts held that any holder of a trustee's certificate might at any time demand back his part of the stock." It is noteworthy that in the 1903 edition of Cook on Corporations he writes (at page 1361): "In 1901 the Legislature of the State of New York declared the public policy of that state, as to the 'pooling' of stock, by enacting a statute," &c. Professor Wormser places the date of the shift of public opinion in favor of voting trusts in 1905. Thus in 1901 the Legislature by statute authorized the employment of this voting device which had not yet been approved by the courts of New York and had been disapproved by the large majority of other courts which had considered it. It is a fair inference that the Legislature intended to preempt this field of the law and to lay down the conditions under which alone this novel voting scheme could be used. The agreement, if thus regarded as based on the statute, is invalid for the foregoing reasons which invalidate it *dehors* the statute.

The statute is purely permissive. It does not validate a voting trust agreement in other respects against public policy. Compliance with fundamental law and public policy are still essential to such an arrangement. While I find no authority square upon this point, the reasoning in *Manson v. Curtis* (223 N. Y., 313, at 319)

is most persuasive. There stockholders made an agreement not of formal voting trust, but to unite upon a corporate policy and upon the officers whom they would elect; but they agreed also that a named person was to control the company's conduct and that the directors were substantially to abdicate. Collin, J., sustaining squarely the general validity of an agreement among stockholders to continue a stated policy, writes: "Agreements upon a sufficient consideration between them of such intent and effect are valid and binding if they do not contravene any express charter or statutory provision, or contemplate any fraud, oppression or wrong against other stockholders, or other illegal object." But he holds the particular agreement void because it contemplated an illegal object in depriving the directors of power actually to manage the corporation. Similarly here, it is proper under the statute to create a voting trust (a particular binding statutory form of such agreement among stockholders as was referred to by Judge Collin), provided it contemplates no "illegal object." The illegality of its object, heretofore outlined, renders it void even if it be viewed as the creation of the statute.

Moreover, there are other features of the agreement which expressly in detail violate the requirements of section 50. Every other stockholder is entitled to become a party to the agreement. Therefore the agreement may not impose such onerous terms, wholly unrelated to the essentials of a voting trust, as would reasonably deter other stockholders from becoming party to it. If a prohibitive fee were assessed on stockholders as a condition precedent to deposit of stock, there would be substantial denial of the statutory right of all stockholders to join in. This agreement contains provisions essentially as destructive of this right. Stockholders are required to give to the trustees not only voting power, but authority to consent to the merger or consolidation of the bank with any other institution upon any terms they deem fit; to accept in place of the shares deposited any shares in any amount to be issued in exchange therefor on merger and to consent to the dissolution of the bank. Paragraph 10 indeed adds that these particular powers are not to be deemed exclusive, but that the voting trustees shall be entitled to exercise all powers "as the absolute owners of the deposited stock." A depositing stockholder must not only

strip himself of voting power, but, while retaining his beneficial interest, permit these trustees, or their successors, substantially to treat the stock in any way they wish. The statute compels the voting trustees to procure new certificates with an indorsement that they were issued pursuant to a voting trust agreement, and thus to put upon notice any person who deals with such certificate. This agreement negatives this salutary requirement by permitting the trustees to exchange for certificates not in their own names and so indorsed, but in the name of their nominees. While the stock deposited is stated "to be wholly at the order and under the control of the trustees," they assume no responsibility whatever except for actual misfeasance; yet any trustee may become a director or officer of the bank, receive compensation therefor, or become pecuniarily interested in any transaction with the bank as fully as though he were not a trustee at all.

The trustees (paragraph 9) are authorized to transfer a sufficient number of shares of stock to give any person the statutory qualification as a director, provided he is nominated by the trustees, and he must agree at the end of his term forthwith to return to the trustees the qualifying shares so held. This purports to destroy the statutory requirements that a bank director must not only be a stockholder in his own name, but must make oath that he owns the stock in his own right in good faith. For these additional reasons the agreement cannot be sustained under the statute irrespective of the amendment of March 12, 1925. That amendment is also fatal to the validity of this agreement viewed as a statutory voting trust. It provided that section 50 should not apply to banking corporations and it went into effect immediately. While the agreement was dated December 31, 1924, much of the stock was deposited under it subsequent to March 12, 1925. These deposits could not validly be made.

I do not lose sight of the saving clauses in the Statutory Construction Law, but as Hiscock, Ch. J., wrote in *Matter of Wentworth* (230 N. Y., at 187): "A repealing statute which preserves rights contemplates definite and substantial ones which are, or are in the nature of, vested property rights and not mere inchoate personal privileges to which in a legal sense one has no indefeasible vested claim." This voting trust agreement was continuously in process of

potential enlargement unless and until all stockholders became party to it. The law required it to preserve that right to all stockholders. Those who deposited under it prior to March 12, 1925, did so on implied condition that all other stockholders might validly thereafter do likewise. There were no vested property rights fixed prior to March 12, 1925. When the Legislature withdrew banks from the provisions of the act it necessarily terminated the valid existence of this agreement, both as to those who attempted in violation of the statute to come in thereafter, and as to those who had theretofore come in upon the condition implicit in the agreement that others could continuously and validly come in. Nor does this conclusion violate the rule of statutory construction against retroactive effect. "A statute does not operate retrospectively when it is made to apply to future transactions merely because those transactions have relation to and are founded upon antecedent events." (Opinion of Richardson, J., in *Johnson v. United States*, 17 Court of Claims, 157, at p. 171). The amendment of 1925 applied to this agreement as one continuously inchoate and rendered its continuance illegal. The situation is distinguished from that considered in *Cameron v. N. Y. & M. V. W. Co. et al.* (133 N. Y., 336). There, pursuant to a statute, two water works companies had entered into an agreement of consolidation and had called the meetings of stockholders required by statute to ratify the agreement. The statute authorizing the consolidation was then repealed. The court held that under the reservations of the statute the companies had the right to secure the ratification of the agreements which they had in fact made subject to such ratification. There was no question there of permitting other persons to become parties to the agreement after the effectiveness of the statutory prohibition.

Defendants urge that this agreement can be sustained by the substitution as voting trustees of those alternates who are not bank directors or officers. None of these alternates, however, appears to have signed or become party to the agreement. They could become trustees only "in the event of the death, resignation, inability or refusal to act" of the named trustees. It was never contemplated that the word "inability" should be deemed to include this legal inability based upon the fact that the trustees were officers, which was known at the time of the execution of this agree-

ment. The intent of the parties was that the three named voting trustees should act except only as otherwise stated. Nor would this course be permissible under the 1925 amendment as here construed.

Equally untenable is the suggestion that the court should treat this as a genuine trust agreement and under general equity powers designate a trustee to effectuate its purpose. It is not a real trust agreement of the kind under which equity exercises such function, but a mere voting trust agreement. A signer of this agreement would no doubt view with astonishment the transmission of his voting rights to the nominee of the court. There was never such intention. Defendants urge that the determination of these questions should be made only on trial and not on motion. There is no substantial question of fact, however.

The only serious dispute concerns allegation that the actions are instigated by persons who are attempting to buy the bank's stock with the ultimate purpose to consolidate it with another bank. This is not germane to the controversy. Anyone has the right to buy the stock. If such consolidation should be attempted, there are well-settled remedies in the law to protect minority stockholders. Even proper desire to defeat such a plan cannot justify the creation of an illegal voting trust to officers and directors of the bank. If the views here expressed are correct, the corporate action purported to be taken under this voting trust agreement would result in the greatest confusion and hardship. It is therefore in the general interest to continue the injunction. If it is vital immediately to increase the capital of this bank and beneficial stockholders, to the required amount, wish so to do, such action can readily be taken despite the injunction. The status quo should therefore be preserved. It should be noted that though the ex parte injunction was issued on the original complaint in the action brought by the National Liberty Insurance Company of America it was stipulated by counsel on argument that the motion before me should be determined on the amended complaint, and the order may recite this stipulation made on argument. Motion granted. Settle order on notice.

## Drawee Bank Liable on Check Certified by Telegram

Bulliet v. Allegheny Trust Company,  
Supreme Court of Pennsylvania,  
131 Atl. Rep. 471.

On February 11, Mitchell drew his check for \$5000 on the defendant, Allegheny Trust Company of Pittsburgh, Pa., and delivered it to a party in escrow. It was agreed that the sum represented by the check should be forfeited to the plaintiff if Mitchell did not make certain payments on oil property belonging to the plaintiff for which he was negotiating.

Mitchell sent a telegram to the defendant trust company, asking whether it would honor the check and the defendant, on February 11, answered by wire affirmatively.

Mitchell failed to make the first payment, the time for which was extended from February 13 to February 15, and on the latter day, the check was deposited in a Louisville, Ky., bank for collection. Upon presentment of the check, the defendant refused to honor it on the ground that Mitchell had stopped payment.

In an action by the plaintiff against the defendant as drawee of the check, it was held that the latter was liable. In so holding, the court decided that the defendant's telegram amounted to a certification of the check; that the certification at the request of the plaintiff discharged the drawer from liability; that so far as the drawee of a certified check is concerned, presentment may be made at any time within the period fixed by the statute of limitations; that the defenses which the drawer might have as against the payee, were not available to the drawee bank and, in effect, that the drawer of a check cannot stop its payment after it has been certified.

Action by V. J. Bulliet, trustee for the Woolfolk Oil Co., against the Allegheny Trust Company. Judgment for plaintiff, and defendant appeals. Affirmed.

### OPINION

SCHAFFER, J.—This action was brought against the defendant trust company on a check for \$5000, drawn by C. C. Mitchell to the order of Grove McNair, which the defendant had undertaken to honor.

C. C. Mitchell was negotiating in Louisville, Ky., for the purchase of an oil prop-

erty; Grove McNair was his agent in the transaction. The memorandum agreement of sale between the parties provided that Mitchell would place in the hands of N. C. Bolling & Co. \$5000 in escrow in evidence of good faith that he would pay the remainder of the purchase price. The agreement contained a provision that, in the event of Mitchell's failure to carry out his undertaking, the \$5000 should be forfeited to the seller, V. J. Bulliet, trustee for the Woolfolk Oil Co. To meet the requirement of the agreement of purchase, Mitchell drew his check to the order of McNair for the sum named; it is dated February 10, 1919. Mitchell, after drawing the check, returned to Pittsburgh, made his account in the bank good for the amount of it, and, in response to a telegram from Bulliet to the defendant, inquiring whether it would honor Mitchell's check for \$5000, defendant replied by wire that it would. This amounted to a certification of the check. Brady, *the Law of Bank Checks* (1915) §230, p. 347; *Banking Law Journal Digest* (Brady, 1924) §214; 7 *Corpus Juris*, p. 705; *Farmers' and Merchants' National Bank of Winchester v. Elizabethtown National Bank*, 30 Pa. Super. Ct. 271.

Mitchell failed to make the payments as provided in the agreement, the first of which was payable on February 13 (the time for this payment was extended to February 15), and the check for \$5000 was deposited in a bank in Louisville on the latter date. When presented for payment, defendant, owing to its having received a notice from Mitchell to stop payment of the check, refused to honor it, and wrote a letter saying that the check was returned "on account of the indorsements of same, and also because Mr. Mitchell has requested me to withhold payment until some matters in connection with the deal are cleared up." Nothing was said about delay in presentation of the check. Additional indorsements were placed upon the check, and it was again forwarded to defendant for payment. On receipt of the check, defendant wrote to the bank in Louisville, but raised no question as to the indorsements. In this letter defendant acknowledged that it had sent the telegram claimed the agreement of sale had not been agreeing to honor the check, but said that Mitchell had directed it not to pay, as he fulfilled.

The first position assumed by appellant

is that there was delay in presenting the check, the clearance time between Louisville and Pittsburgh being twenty-four hours, and that by reason thereof it is relieved from its undertaking to pay. From an examination of the testimony, it is not apparent that there was any delay in the presentation of the check. While it is dated February 10, under the terms of the agreement of sale it was to be applied against the first payment on account of the purchase money which fell due on February 13, which was extended by an oral agreement to February 15, and was not to be forfeited to the seller as liquidated damages unless that payment was not made. Mitchell had all of the day of the 15th to make the payment. The check was mailed on that day by the Louisville bank to the defendant. It is the contention of appellant that, as the defendant sent its telegram on February 11, saying it would honor the check, the check should have been forwarded not later than the 12th, and should have arrived in Pittsburgh for payment on the 13th, whereas it did not arrive until the 16th or 17th. Even if it should be concluded that a bank can, under the circumstances here shown, set up the defense of delay in presentment against a check which it has certified, which we think not the law, there was no requirement that the check should be used or forwarded before February 15, the day on which it was mailed, as until that day it was not payable on account of the purchase price and not forfeitable in the event that the first instalment thereof was not paid. Defendant's telegram, promising to honor the check, was an acceptance of it. The Negotiable Instruments Law in effect so provides (section 187, Act May 16, 1901 [P. L. 194; Pa. St. 1920, § 16184]):

Where a check is certified by the bank on which it is drawn, the certification is equivalent to an acceptance.

The Negotiable Instruments Law expressly provides for acceptances by separate paper.

Where an acceptance is written on a paper other than the bill itself, it does not bind the acceptor except in favor of a person to whom it is shown, and who, on the faith thereof, receives the bill for value. Act of May 16, 1901, § 134 (P. L. 194; Pa. St. 1920, § 16126).

Acceptance on a separate paper was held



good in *Steman v. Harrison*, 42 Pa. 57, 82 Am. Dec. 491. A delay in presenting a check to the bank for payment which the bank has accepted or certified will not discharge it from the obligation to pay. Norton on Bills and Notes, p. 588 et seq. Where a check is certified at the instance of the holder (as this one was) the drawer and indorsers are thereby discharged (*Negotiable Instruments Law, Act May 16, 1901, §188 [P. L. 194; Pa. St. 1920, §16185]*), so that the rule requiring presentment of a certified as well as an uncertified check within a reasonable time in order to charge the drawer has no application. So far as the drawee bank is concerned, demand for payment of a certified check may be made upon it at any time within the statute of limitations. Brady, the Law of Bank Checks (1915) §80, and cases there cited.

The certification constitutes a new contract between the holder and the bank. . . . By certifying, the drawee bank enters into an absolute agreement to pay the check upon presentment at any time within the time fixed by the statute of limitations. Brady, the Law of Bank Checks (1915) §232.

In *Smith v. Hubbard* (1919) 205 Mich. 44, 50, 171 N. W. 546, it is stated (page 548):

Checks are by custom certified, in order that the holders may in their business transactions make use of them as a substitute for money, and in their function to that end in the business world they are not expected to be as promptly returned to the bank issuing them for redemption as ordinary checks, notes, or similar negotiable paper.

Nor do we think appellant is in any better case in its second position, so far as the indorsements are concerned. After the check was returned to it the second time, with additional indorsements, and when it sent the paper back, no dissatisfaction was expressed as to the indorsements. Defendant cannot be permitted to prejudice plaintiff's position now, not having raised it in the first instance.

Where a party gives a reason for his conduct and decision touching anything involved in a controversy, he cannot, after litigation has begun, change his ground, and put his conduct upon another and a different consideration. He is not permitted thus to amend his hold. He is estopped from doing it by a settled principle of law. *Honesdale Ice Co. v. Lake Lodore Improvement Co.*, 232 Pa. 293, 300, 81 A.

306, 308, quoting from the leading case of *Railway Co. v. McCarthy*, 96 U. S. 258, 24 L. Ed. 693.

The rule is founded on equitable estoppel. Second National Bank of Allegheny v. Lash Corp. 299 F. 371 (C. C. A. 3d Cir. 1924). Not having raised the question before, when, if there had been any substance in the objection to the indorsements, plaintiff might have corrected any error, defendant is estopped from interposing the defense now after suit is brought.

But the objection to the indorsements is without foundation. They were regular, followed the course of the paper, and were in consonance with the disposition of the money as provided in the agreement of sale. The check was drawn to McNair; he indorsed it "to the order of V. J. Bulliet, trustee for the Woolfolk Oil Co., and placed in hands of N. C. Bolling & Co. as escrow agent as part of escrow agreement between C. C. Mitchell and V. J. Bulliet," and it was also indorsed by Bulliet as trustee "for deposit in joint account with [N. C. Bolling & Co., as escrow agent," and by Bolling & Co., as escrow agents, to the order of Bulliet, as trustee, and by him in that capacity. The prior indorsements were guaranteed by the Louisville bank in which the check was deposited, and that bank indorsed the paper. We think the defendant would have been fully protected by the indorsements in paying the check.

The third and real defense attempted by the defendant was to put itself in the position of Mitchell, and to make the defense against the check that he might have made if he had still been liable on it, and to show, as incidental to this defense, that the plaintiff had no record title to the property on account of which the check was given. In being permitted to make the defense which Mitchell might have made, appellant was accorded a greater privilege than it was entitled to. As between it and the plaintiff, no such defense was available. Its undertaking was absolute and unconditional to honor the check, and it could not, by interposing a defense available to Mitchell, repudiate what it had bound itself to do. To hold otherwise, it would be necessary to ignore the effect of the certification of a check at the instance of the holder. The *Negotiable Instruments Law, §189 (Pa. St. 1920, §16186)*, provides that a check does not operate as an assignment of the funds unless the drawee bank certifies it, "and the bank is not liable to the holder unless and until it accepts or certifies the check,"

but when it accepts or certifies it is liable to him. The effect of the bank's certifying a check at the request of a holder is to create a new obligation on the part of the bank to that holder, the amount of the check passes to the credit of the holder, who is thereafter a depositor to that amount. Negotiable Instruments Act, §188; Central Guaranty, Trust & Safe Deposit Co. v. White, 206 Pa. 611, 56 A. 76; Girard Bank v. Bank of Penn Township, 39 Pa. 92, 80 Am. Dec. 507. In Joyce, Defenses to Commercial Paper (2d Ed. 1924) vol. 2, §850, it is said:

By the law merchant of this country, the certificate of the bank that a check is good is equivalent to acceptance. It implies that the check is drawn upon sufficient funds in the drawee's hands, and that they have been set apart for its satisfaction, and that they shall be so applied whenever the check is presented for payment. It constitutes an undertaking, not only that the check is then good, but that it will continue good. Such an agreement is as binding and obligatory upon banks as their notes of circulation, or any other valid obligation. The purpose of certifying a check as regards both parties is to enable the holder to use it as money.

And again in the same work the author says upon proper authority (volume 1, §228):

The certification of a check on application of the drawer does not operate to discharge him from liability thereon, and, so long as he remains undischarged, the defense of fraud is open, both to him and the bank. But where certification is made at the request of the holder, the effect is different, and discharges the drawer from further liability on the check, and substitutes a new contract between the holder and the bank, by which the money called for by the check is transferred from the

account of the drawer to the account of the holder; so that, in contemplation of law, the obligation of the bank to the holder in such case is the same as if the funds had been actually paid out by the bank to him, by him redeposited to his own credit, and a certificate of deposit issued to him therefor.

The obligation of an acceptor is to pay the instrument according to the tenor of his acceptance. Negotiable Instruments Law, §62 (Pa. St. 1920, §16052). It has been said that an acceptor admits everything essential to the validity of the bill, and on this ground he cannot for example, even set up the defense of want of consideration between the parties. See Joyce, Defenses to Negotiable Paper, vol. 1, §341. The acceptor cannot defend on the ground of want of consideration between the drawer and the payee. *Vanstrum v. Liljengren*, 37 Minn. 191, 33 N. W. 555; *Spurgin v. McPheeters*, 42 Ind. 527; *Welch v. Mayer*, 4 Colo. App. 440, 36 P. 613; *Davidson v. Keyes*, 2 Rob. (La.) 254, 38 Am. Dec. 209; *Debuys v. Johnson*, 4 Mart. N. S. (La.) 286; *Smith v. Adams & Co.*, 14 Ia. Ann. 409. In 8 Corpus Juris, p. 747, §1018, the rule is thus stated:

So, in an action by the payee against the acceptor or the drawer, failure of consideration as between the drawer and the drawee is not a defense.

The business of the country could not be carried on unless those transacting it may rely upon such undertakings by financial institutions as the one with which we are dealing. The court below should have disposed of the case as a matter of law, by giving binding instructions in plaintiff's favor.

The assignments of error are all overruled, and the judgment is affirmed.

**T**HE creed and laws of a people act powerfully upon their economic condition, and this again, by its influence on their mental development and social relations, reacts upon their creed and laws.

—John Stuart Mill.

# Present Trends in Distribution

By O. H. Cheney

Vice-president American Exchange-Pacific National Bank, New York

THE apparent confusion in the present trends of distribution is of vital importance to us as bankers. Unless we understand the significance of these new trends in distribution we are handicapped in acting as bankers in every true sense of the name. It would be better for us all if we could at one sweep scrap all our ideas of distribution—all our prevailing ideas of the routing of commodities from producer to consumer. A good many of our ideas on the subject of distribution as a whole belong back in the days of horsehair sofas and crinoline—or perhaps in the days of horse cars and long skirts. Our knowledge of our distribution system as a whole is to a vital degree antiquated—and it is that because changes have been coming so radically and so rapidly.

This is a machine age and we have come to picture distribution also as a machine. It is not—and as long as we think of it in mechanical terms so long shall we fail to understand it. We must try to see the structure of distribution not like a machine—it is a living thing—a growing thing—hungry, active, restless, ever changing. It has not even definite parts with definite functions. Any part can attempt to assume any function—and protest meetings, lawsuits, government commission investigations, municipal ordinances and Federal legislation can be of little use. The functions of the retailer, the wholesaler and the manufacturer are not included in the Ten Commandments or the Constitution of the United States. If a retailer wants to assume some functions of the wholesaler, if a wholesaler wants to assume some functions of the manufacturer, or if a manufacturer wants to assume some functions of a retailer, there is no law which can stop him—except the inexorable economic laws of efficiency and profit.

How has the banker's function been changing during these years of merchandising unrest? It seems to me that the banker's participation in the financing of production and distribution may be tending to become more indirect. Bank credit is being used at more points, perhaps, in the chain of distribution, but it is not extended directly by the banker. With the growth of larger industrial and commercial units, financing is done more through securities

and in other ways, also transactions in which the dominant elements were formerly personal are now becoming formalized and impersonal. When the distributor buys from hand-to-mouth the financing burden is thrown on the manufacturer and for this reason there is a tendency towards centralization of credits in the manufacturing centers instead of distribution throughout the consuming centers.

The degree of banking participation in the chain of production and distribution is in some measure dependent on the length of time involved in the process. In spite of nationalized distribution and in spite of increasing numbers of middlemen and intermediary producers and distributors, the time element has been materially shortened. Production has been speeded up, as in the automobile industry. Or, as in the case of the clothing industry, the manufacturer is now buying his fabrics four months nearer the time of actual consumption than he was three years ago. Railroad service has increased in efficiency and goods are not tied up so long in transport. At every point the time function of bank credit is being reduced in importance. To sum it up in a crude sentence, I should say that the banker is now dealing more with paper than with people or commodities.

As bankers we have not fully realized the significance of these present trends in merchandising. We have not mingled closely enough in the battles of the new competition. We have therefore not been of as much service to our customers as we might be—we have not been able to give them all the guidance they need in this intricate strife of modern business. As a result, also, we have overlooked our own interests in many ways. We have missed opportunities for service and profits. We have allowed our institutions and affiliated organizations to become too inflexible. We have let other types of institutions and organizations spring up to meet these new needs and to flourish, largely through the use of bank credit. We, too, must face the new competition. Ionic marble columns and Renaissance ceilings and French bronze grilles are no more protection than Grand Rapids ice-boxes, coat hangers and pine shelves against the pressure of competition.

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# Canada Can Resume Gold Payments

Fears of Inability to Maintain Gold Standard Shown Groundless  
Upon Analysis

By Donald M. Martin, B.A., M.A., Ph.D.,

Economist the Royal Bank of Canada

**D**EPRECIATED currencies, war debts, reparation payments and the large gold holdings of the United States have complicated the phenomena of international finance so that many old questions must be considered from a new viewpoint. Perhaps the most important contribution to the recent discussion of monetary affairs was Professor Keynes' suggestion for a managed currency which would have done away with gold as the basis of monetary values. These proposals were seriously debated by the leading economists and bankers of Great Britain. Had the plan suggested by Professor Keynes been successfully launched by England and followed by other countries, the United States would have been in the position in regard to gold that China is with respect to silver. Gold would have fallen greatly in value and payment of the war debts of the various European countries to the United States would have been greatly simplified. The decreased value of gold would have been injurious to gold producing countries as well as to the United States. The general necessity for rehabilitating world confidence in stable exchange rates between countries, with its beneficial effect on international trade, and the sentimental values attached to gold presented so desirable a combination that the British Government decided to return to gold payments and thereby initiated a condition that is likely to again become world wide. Although hypothesis and forecast in this field are on an empirical and tentative basis yet the return to the gold standard has become so strong a world trend that it is advisable that a careful study be made of Can-

ada's ability to return to gold payments.

The Royal Bank of Canada has been steadily advocating the resumption of gold payments by the Dominion Government for the last three years. In May 1923, the monthly letter of the Royal Bank of Canada said:

Our general financial situation should now be regarded as normal. The figures indicate that the position of the Government note circulation is sound and without further preparations gold payments might be immediately resumed, with the assurance that no important loss of the Government's stock of gold would take place. The matter is one which might well engage the early attention of the Government. It would add to our prestige and credit if we were the first of all countries, belligerent and otherwise, excepting only the United States, to return to the gold standard without restrictions.

It can hardly be doubted that had this step been taken at that time it would have accelerated the improvement in general business conditions.

It was in recognition of this situation that Sir Herbert S. Holt, in his annual addresses before the shareholders of the Royal Bank of Canada in January 1924, 1925 and 1926, urged the return to the gold standard. In this last annual address he said:

Last year we called attention to the ease with which it would be possible for Canada to return to the gold basis. The movement which has since developed towards the stabilization of the exchanges of most of the influential nations of the world indicates the value which they attach to definitely linking their currencies with gold. Meanwhile, the course of exchange between Canada and the United States has shown that the restoration of gold payments by this country would be a simple matter. I cannot conceive why there should be any delay in ending the present anomalous situation.

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*Advantages of the Gold Standard*

The report of Dr. G. Vissering of the Netherlands Bank and Dr. E. W. Kemmerer of Princeton University on the "Advisability of the South African Union returning to the Gold Basis," presented certain advantages which would accrue from the increased stability of their monetary unit, certain advantages to be derived from increased world confidence in South African financial stability, and finally took up the question as to the practicability of the step in relation to the country's financial and credit structure and the degree of deflation then experienced. One who wishes to read an able discussion on the advantages of the gold standard would find this report well worth consideration.

So far as the advantages to be derived from increased confidence are concerned these are of just as great importance to Canada as they were to South Africa. There is increasing competition between various parts of the British Empire for British capital, British immigrants and British interest. If the Union of South Africa took this step with a view to securing confidence in the stability of her financial structure, Canada can ill afford to delay doing likewise. Capital is undoubtedly conservative and for years to come it will prefer countries which are definitely on a gold basis.

South Africa produces more gold than any other country in the world and on this account it was to her advantage to be among the leaders in re-establishing the gold standard. Records indicate that Canada is rapidly approaching the point where she will be the second world producer of gold. With the opening of new gold producing areas, Canada has a steadily increasing interest in the buying power of gold.

It is probably unnecessary to discuss the desirability of resumption of gold payments. On this point there has been unanimity so far as Canadian authorities have been articulate on the

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subject. The objections which have been voiced have been only as to the feasibility of such a move. Fears have been expressed that if free gold movements are permitted all the gold might be drained away and that Canada might have again to suspend gold payments. Those who have made these predictions have without exception failed to explain how this condition might be brought about and why Canada was considered to be in a more vulnerable position in this respect than before the war. The fears expressed are believed to be groundless and this article will proceed to analyze the situation in support of this opinion, making a careful study of Canada's financial position with a view to determining the real practicability of this action. In making this study examination will first be made of Canada's position in relation to each of the criteria used by the financial experts of the League of Nations in considering the





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foreign exchange situation of many nations. These were: degree of inflation, currency structure, financial structure, foreign indebtedness and balance of trade.

Since 1922 Canada's wholesale price level has been proportionately lower than that of the United States as compared with pre-war prices. Canada has been deflated to gold parity. Since resumption of gold payments will produce no change in price levels there can be no objection on this ground to making the step.

## *The Currency Situation*

So far as Dominion notes are concerned, at present the total issue amounts to \$212,000,000. Forty-six million dollars is held in the central gold reserve. This is about the minimum in the last eight years. In the last few years amalgamations have reduced bank capital and this has resulted in a considerable reduction in free note issue. With a return to good times there is need for an increasing volume of circulation so that we must regard this \$46,000,000 as the minimum that will be held in the central gold reserve.

The banks held last year an average of \$139,029,000 in Dominion notes. Section 60 of the Bank Act, reads: "The bank shall hold in Dominion notes, not less than 40 per cent. of the

cash reserves which it has in Canada." These cash reserves have not been under \$200,000,000 during the last ten years and it is not reasonable to suppose that the banks will ever require less than \$100,000,000 in Dominion notes as reserves and for inter-bank payments.

Thirty million of Dominion notes are in denominations of \$5 or under and are in constant circulation. Twenty-eight of these thirty million dollars are one and two dollar bills and are necessary for small change. No circumstances can be conceived of where any proportion of these would be presented for redemption. There are, therefore, \$46,000,000 for central gold reserves, \$100,000,000 for bank reserves and \$30,000,000 for pocket money. The total of \$176,000,000 is the minimum to which Dominion Government notes could be reduced. This leaves only \$35,000,000 to be redeemed even in the highly improbable event of business sinking below the lowest level in the last ten years. Actually at the present time all the Dominion notes outstanding are essential to the normal conduct of the country's business. Resumption of gold payments would lead to no important gold movement. However, the Government holds \$118,000,000 in gold. If the above conclusions are sound, it is obvious that this is more

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than ample. Under previous conditions Dominion notes were issued only against deposit of gold but a new factor has been introduced since the date that Canada went off the gold basis, namely the Finance Act, under which the Dominion Government is empowered to issue notes to the chartered banks of Canada in the form of loans against satisfactory security. It is conceivable that by lending excessively under this act, inflation might imperil the Government gold reserves. Such hypothesis anticipates conditions of much greater strain than have been created at any time during or since the War. It presupposes an extended position on the part of the banks, which they are by no means likely to take and one requiring immediate correction by whatever means available. While there is no real danger of such a condition being created through the operation of the Finance Act, nevertheless, since there is such a possibility it would seem necessary that the legislation regarding the

resumption of gold payments should provide against the possibility of over issue of Government notes by stipulating that further loans under the Finance Act should not be permitted in the event that the gold reserves fall below a certain figure, say 40 per cent. For the sake of emphasis, it should be repeated that the margin at present held would provide against borrowings under the Finance Act in excess of the maximum that has been borrowed under this legislation to date. The restrictive provision would only become operative if the financial structure became extended to a degree that would be dangerous and which we have no reason from our past experience to expect.

#### *Increased Circulation Expected*

Under the Bank Act the banks are authorized to issue notes of the denomination of \$5 and multiples thereof to the amount of their paid-up capital in addition, during the period of move-



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ment of crops the banks may issue excess circulation to the amount of 15 per cent. of their combined capital and rest or reserve fund. The banks pay interest on the excess at 5 per cent. Additional circulation to an unlimited extent may be issued by the bank depositing dollar for dollar in gold or Dominion notes in the central gold reserve. The total circulation is \$164,000,000. Every day each bank returns to the issuing bank, notes received over the counter. Fluctuations in the volume of notes outstanding are thereby taken care of automatically with very little disturbance to the banks' reserves. Bank notes ordinarily are not legal tender, and under pre-war conditions banks found it necessary to hold very little actual gold coin. At the present time, however, they hold some \$70,000,000 as part of their reserves. Since in practice the reserves must bear a certain relation to the liabilities, it is obvious that if the gold held by the banks were released by them it

would have to be replaced by some other cash reserve; i. e., Dominion notes. Dominion notes can only be obtained by the deposit of an equivalent amount in gold or by borrowing under the Finance Act, which is fully dealt with above. With a tendency to improved conditions, an increase rather than a decrease in the circulation of bank notes must be expected. Therefore, the present gold holdings of the banks themselves are larger than there is any practical necessity for them to be. This condition has been brought about by the fact that during the fall of the last two years Canadian exchange has advanced to the point where it was profitable to import gold, the Government giving license to re-export later should the importing banks wish to do so. It is this condition which has made Canadian exchange so stable in the last two years and a substantial gold movement has taken place.

It should also not be overlooked that Canadian banks carry a large volume

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of liquid assets abroad which are immediately available should Canadian business conditions make this course necessary. These are (1) Cash balances in banks outside of Canada, (2) Call and short loans in New York (and London) and (3) readily marketable securities.

*Reserves are Adequate*

For greater clearness it will now be advisable to examine the consolidated position of total circulation, and it is found that eliminating the duplication in the central gold reserve there is \$315,000,000 of bank and Dominion note issue against which the Government and the banks hold actual gold amounting to 60 per cent. Great Britain, Sweden and Germany, which have recently resumed gold payments, have only about 40 per cent. and the need for extraordinary reserve in these countries is far greater than in Canada. As a matter of fact, there is no country in the world that could, if it wished, operate safely with less holdings of gold than Canada. The reason for this is its proximity to the United States. The credit resources of that country are at its disposal. Its general commercial conditions are more or less similar to those of the United States and, therefore, are well understood by United States financiers. Its principal banks and financial houses have branches or intimate connections in

New York which could be called into play at a moment's notice. Credit stringency would tend to lead to borrowing in the United States, and to be more specific in the event of serious financial crisis in Canada there is no doubt that the Dominion Government could arrange a loan in New York to meet the exigencies of the situation without any delay.

There are deposits in Canadian banks amounting to \$2,500,000,000 and a note circulation amounting in all to \$340,000,000. Against this structure there are total gold holdings amounting to \$238,000,000 or about 8 per cent. Eight per cent. is proportionately a larger reserve than that held by Great Britain and many other important countries. The banks are in an unusually strong position, holding liquid reserves of more than 60 per cent., which is the highest in Canadian

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history. Surely there is no weakness in Canada's general financial structure preventing her return to gold payments.

### *Canada's International Balance Sheet*

Consider, for a moment, Canada's international balance sheet. In 1925 exports exceeded imports by \$380,719,506. As against this there is an invisible item amounting to about \$300,000,000 in the form of interest charges on foreign capital and war debts. There is another invisible item of increasing importance to Canada of a favorable nature, consisting of the expenditures of tourists. The Vancouver Tourist Bureau estimated that this amounted to \$60,000,000 in British Columbia alone, which seems high; but for the Dominion the amount can probably be conservatively estimated at \$120,000,000 annually. Taking these and other invisible items into consideration the estimated balance in Canada's favor in 1925 would be in the vicinity

of \$200,000,000, although any estimate of this nature must be made and accepted with some reserve.

In connection with the question of the resumption of gold payments, the fear has often been expressed that unfavorable developments in Canadian foreign trade either in a reduced surplus of exports, or an actual surplus of merchandise imports, might drain away gold and produce a serious situation. It should be noted however, that favorable or unfavorable balances of trade are not accidental, but are dictated by buying capacity.

The unfavorable balance in merchandise trade prior to the war was a result of heavy Canadian borrowing, and the funds thus secured were used for public and private developments. Not only did these give rise to a demand for such things as iron and steel products and other materials required in specific developments, but they gave employment to labor, part of whose

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follow would be marked by easy credit rather than by credit strain. The reserves are more than ample to meet the strain at the time of crop failures and the period which would follow would make no demand on the gold reserves. If those people are right who declare that unfavorable changes in balance of trade seriously threaten gold reserves, then neither Canada nor any other country should ever take the risk of maintaining the gold standard, nor should any country in the world take that risk in the future, because it would be economically foolish as well as impossible to attempt to maintain a gold reserve sufficiently large to respond to the great fluctuations in foreign trade that occur from time to time.

### *The Movement of Gold*

In any discussion of this kind there must inevitably be a tendency to over-emphasize the importance of the movement of gold on exchange. Actually in practice so far as Canada is concerned, these movements should be of small proportions except so far as the sale of the production of mines is concerned, and the export of such gold by the mines will have no greater effect on exchange than the export of any other commodity. It is obvious that if the Canadian mines continue the practice they have observed lately of selling gold to the Ottawa mint, the accumulation of gold reserves will, within a short time exceed the total note issue, if the Government does not permit gold export. Presumably the Government will not continue the present situation for any length of time, since it would mean that it would lose all financial benefits from the note circulation. The sale of Canadian mined gold to the mint is principally responsible for the recent marked increase in the Dominion Government gold reserves against circulation.

Canada is holding too much rather than too little gold. With a world wide increase in production and with new semi-stabilized price levels, the proportion of gold held as reserve by

requirements were for imported goods. If business becomes more active in the near future imports will increase, but the product of more active business would be either increased exports or the creation of some other increased assets which would enable Canada to pay for the increased imports.

Imagine for the moment that a crop failure in 1926 or 1927 will substantially reduce exports—obviously the buying power of farmers will be equally reduced and their purchases of imported goods will be cut down. Such a misfortune would also reduce the activity of Canadian industry and thus reduce labor's purchasing power. In the initial stages of these developments, it is quite probable that there would be some gold exports but this very fact sets forces in motion which would soon right the situation. Consumption and imports would quickly be reduced and the depression period which would

central banks must be in line with present practice rather than in line with pre-war practice or there will be a general increase in gold values, and a decrease in prices which will bring on another world depression. Once Canada has resumed gold payments and observed the trend of affairs say for one year, it would then be advisable that new legislation should be sought permitting the Government to withdraw a certain proportion of its gold reserves, using the amount in payment of debts abroad. Considering the present figures and the general trend as a basis, the writer believes the experience of one year of free gold movement will demonstrate that \$50,000,000 might be released in this manner. If it were possible to use this to reduce borrowings it would represent an annual interest saving to the Government of at least \$2,000,000.

#### *The Necessary Legislation*

The legislation which might be enacted in connection with resumption of gold payments should contain no special conditions except the one previously mentioned; that the Government would have no power to make advances under the Finance Act if the gold reserve fell below 40 per cent. As previously suggested, after a year's experience, legislation might then be enacted to provide for the amount of notes which might be uncovered by gold or securities deposited under the Finance Act. Prior to the war, the amount uncovered by specie never exceeded \$22,000,000. The amount which might be held uncovered should, no doubt, be reviewed from time to time, but as a principle it might be stated that for Canada to hold gold in excess of the amount necessary to maintain its exchange at gold parity is a waste. Any surplus should be made to earn interest. The United States must lead in finance in this hemisphere and will probably continue to dominate the gold situation for years to come. To maintain this situation and keep her

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price levels stable it will be necessary for her to defray the cost of holding surplus supplies and there is no reason for Canada to render any assistance in this respect in view of that Government's relative poverty, as compared to the amazing prosperity of the United States. In January 1926, when speaking on this subject as applied to Great Britain at the annual meeting of the stockholders of Midland Bank Ltd., the Right Honorable Reginald McKenna said:

The exchange could be prevented from reaching gold import point by the purchase of dollars, to be utilized at the Treasury's option either in advance payment of instalments of the American debt or in the accumulation of United States Government bonds. This operation would involve little or no loss of interest to the British taxpayer, and would have the added advantage of safeguarding the position of the Bank of England. Any proposal to apply surplus gold to permanent use in this country,



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such as additional backing to currency notes, would be an unnecessary and costly proceeding, and should I think be rejected, having regard to the heavy burden of existing taxation.

### *Difficulties Less than Britain's*

Summing up then, as reflected in the exchanges Canada is now on a practical gold basis and thus does not have to face the difficulties of adjusting internal and external price levels that were faced by Great Britain. The weight of her internal and external debt would not be changed by such resumption. The general business situation is sound and the country is constantly increasing its strength through increasing and diversifying production. Canada is an export country needing foreign markets and it is also a country needing foreign

capital and immigration. Confidence is required to restore the flow of international commerce. Confidence in Canada is required if she is to increase her immigration and development. Canadian banks are in a stronger and more liquid position than at any time in their history. Under the present law, Dominion notes will again become redeemable June 30, 1926, and at that same time the requirements for licensing gold shipments abroad will be discontinued unless further legislative action is taken. Now is the time to consider the provisions of the Finance Act and surely there is no more concrete method of gaining world confidence and expressing Canada's own confidence in the strength of her financial future than by resuming gold payments.



## Review of Countries

By William Hayes

### Great Britain

TRADE in Britain may perhaps best be described as "steady" during February. Among the industries that are duller than usual at this time of year are the iron and steel industry, the shipping industry, and the coal industry. Automobile manufacturing is the most active. Chemicals and the boot and shoe business are more active than last year and there seems to be a fairly healthy de-

mand in the textile trade. Unemployment has been falling, but the whole situation is still overshadowed by the uncertainty in the coal industry.

#### *Coal Commission for National Ownership*

The coal subsidy expires on April 30, and the problem facing the Coal Commission appointed to find ways and means of making the industry self-supporting was described

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in these columns last month. The mine owners asked for a lengthening of the working day, to reduce costs; while the mine workers suggested economy through unification of operation of all the mines. The report of the commission was published on March 10. Its findings are along the lines suggested by the mine workers—nationalization (the ownership and operation of the mines by the Government) is vigorously opposed in the report; but its equivalent is proposed, in the recommendation that the Government purchase the mines, and lease them out to private enterprise for working. Thus it is hoped to bring about unification of operation and the economies thereof, without the usual inefficiency of government operation. As may be seen, it is state socialism, thinly veiled.

The purchase of the mines by the Government would require an expenditure of approximately \$500,000,000. This would certainly impose a very heavy burden on the Treasury, which is already having enough troubles with debt payments to the United States, maintenance of the gold standard, and a possible budget deficit. Yet the report of the commission does not seem acceptable to either owners or workers. There is a possibility that the subsidy may be continued, though the commission's report came out strongly against this. A failure to agree may result in a miners' strike, followed by the general strike which is so feared in England.

### *Agricultural Credit Proposals*

Agriculture was expanded in almost every country during the war, to insure an adequate supply of food for the armies in the field. When the war ended, loaning to belligerents was stopped, consequently re-

ducing their purchasing power, and there was a sharp fall in the prices of agricultural products, from which they have not yet recovered. The farmers have always felt that the disaster might have been made less severe had there been more complete credit facilities which would help them to hold their products for some time after harvesting, and market them in an orderly manner. In the United States, an attempt was made to provide these credit facilities through the establishment of Intermediate Credit Banks.

In Britain, also, various attempts were made in 1917 and 1923 to extend the agricultural credit facilities. Both of these seem to have been ineffectual, for the Ministry of Agriculture and Fisheries has recently completed a further investigation of the subject, and published a report on it.

The three chief sources of farm credit in Great Britain, says the report, are the banks, merchants, and the landlords. It is desirable to concentrate the borrowing of the farmers with the banks, as far as possible, for in borrowing from merchants, the cost of the credit is often unknown, and in addition, the merchant may ask for payment at a time which is inconvenient to the farmer. In other words, mercantile credit frequently puts the farmer in the power of the merchant. The granting of bank credit has been retarded by the fact that it must be extended in the form of unsecured advances, or against a bill of sale, the publicity of which latter instrument destroys its utility as an instrument of credit.

The report, therefore, recommended that legislation be enacted enabling a chattel mortgage in favor of banks to be placed

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Fiscal Agents for the Royal Italian Treasury*

on certain classes of farm produce. Such chattel mortgage would have priority over all other charges except rent, and taxes. The report recommended also that the banks should be empowered to take a floating charge on the liquid assets of a farm or of a co-operative marketing society, in lieu of a specific charge such as a chattel mortgage. These mortgages and floating charges would be recorded in a central register, to which banks only would have access, and from which the public would be excluded.

The authorization was proposed of the incorporation of co-operative societies, whose function would be to secure credit for their members by endorsing their promissory notes for advances at the banks, the security for the endorsement being the whole assets of these societies.

### *A Central Land Bank*

According to the report "Great Britain occupies an almost unique position in having no standard machinery of long term agricultural credit based on farm mortgages." Hence the organization of a system almost the exact duplicate of the Federal Farm Loan System of the United States is proposed. Finally, said the report "The value of any credit system depends not only on the efficiency of the lenders, but also on the efficiency of the borrowers. The farmer is often an efficient borrower. He frequently does not understand the economic function of credit, and is unable to measure the profitable use of borrowed capital upon the farm. This is a matter of education. It is recommended that the Ministry of Agriculture, through the agricultural colleges should undertake educational work on this sub-

ject, and in connection with it should seek the co-operation of the banks and the National Farmers' Union."

This last is the crux of the whole matter. In the United States the Federal Farm Loan System has been functioning since about 1914, and the Intermediate Credit System since about 1923; and still the farmers are complaining of their plight, and asking for further legislation. Credit machinery, no matter how skilfully designed, will not remedy the inefficient and careless methods (particularly of keeping accounts) which are so prevalent in farming, nor will it reduce the over-production that still exists. And these two things, far more than lack of credit machinery, are the causes of the agricultural depression.

### *To Eliminate Landlords in Farming*

Lloyd George has proposed a land ownership scheme which is to eliminate the landlord, on the ground that the system of landlord and tenant is no longer effective economically, for "the landlords of the country are to an increasing extent less able than formerly to supply what is needed for permanent improvements." The former ability of the landlord to supply the capital for such improvement, he contends, was the justification for the policy of leasehold. Since this condition has passed, the system of land tenure should be changed.

What he proposes is that the Government purchase the agricultural land and institute a new "occupying tenure"—a system under which the farmer would remain in possession subject to good farming and the payment of a minimum rent. He could bequeath his right to occupy the land to his heir, but he could not sell it. The suggestion for Government ownership is not made

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merely to get the land out of the hands of the hands of the landlords (for that has been going on rapidly—there are twice as many occupying owners in Britain now as there were five years ago) but chiefly to get the land in the hands of someone who will have capital enough to make the necessary improvements. The disadvantage of the increase in occupying owners cited above is that in most cases the purchase of farms has left the purchaser very short of working capital.

The purpose of Lloyd George's plan seems to be to increase the agricultural production of the country, with the idea of making Britain more economically self sufficient. Or, if that is not the purpose, it must be to increase agricultural production in order to improve the economic position of the farmers. The fallacy is (and it is strange that legislators nowhere will admit this fact) that the cause of the present depression in agriculture is that it is producing more than the world has purchasing power to buy at a remunerative price. To further increase production would be simply to aggravate the present situation, unless something happens to increase the purchasing power of the still prostrated nations of Europe. As for stimulating agriculture in the British Isles to make them economically self sufficient, the cost would be prohibitive.

### *Railway Returns Very Poor*

Three years ago the railroads of Great Britain accomplished that consolidation which is so much discussed in the United States. One hundred and four separate companies were consolidated into four systems; the London, Midland and Scottish, the London and North-Eastern, the Southern, and the Great Western. It might be

expected that by 1926 some of the economies of consolidation would be evident. On the contrary, however, the statements of the four companies show that 1925 was the worst year yet experienced under the new consolidation plan. Gross and net receipts were as follows:

(000 omitted)

|                     | In f           |         |              |        |
|---------------------|----------------|---------|--------------|--------|
|                     | Gross receipts |         | Net receipts |        |
|                     | 1924           | 1925    | 1924         | 1925   |
| L.-M.-S. ....       | 86,515         | 84,817  | 18,626       | 18,002 |
| London & N. E. .... | 65,250         | 63,547  | 11,718       | 10,129 |
| Southern .....      | 26,692         | 27,115  | 6,319        | 6,416  |
| Great Western ..... | 36,408         | 35,242  | 7,453        | 7,108  |
| Totals .....        | 214,865        | 210,721 | 44,116       | 41,655 |

It will be seen from this table that the only railroad showing an increase in either gross or net receipts is the Southern. The reason for this is the fact that the Southern carries a larger percentage of high grade freight than the other roads, earning a larger revenue per ton. Then, too, less than one-fourth of its traffic is coal carrying, whereas, in the case of the others, more than two-thirds of their business is in transporting coal. With the depression in the coal and iron industry in England in 1925, the decline in receipts is not surprising, especially since other business was poor also. But the decline in receipts is not confined to 1925. It has been fairly general since the consolidations. Since their formation, the four companies have withdrawn £12,876,000 from reserves in order to maintain their dividends. It would be interesting to try to find out by a statistical investigation just why the expected economies have not resulted; whether because of poorly planned groupings, poor business conditions, inadequate rates, or because duplicate services have not been eliminated. Such a survey would be very useful to the United States in its proposed consolidation of railroads.

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storms of depression, and are being weeded out.

### *Business Outlook Better*

But the business outlook is better, and it is believed that the worst of the depression is past, although prices are still falling. Unemployment is increasing little, if any, and the easy money situation which has prevailed in Germany since January, shows signs of tightening, although the Reichsbank's rate on Lombard loans (loans against securities) was reduced from 10 per cent. to 9 per cent. on February 26. Some readers will perhaps compare the reference above to "the easy money situation" to the statement in the March issue that "there is in Germany a very real shortage of credit and capital." Yet the apparent contradiction is easily explained. "Money rates" as the term is used in financial centers, refers to the price of very short term loans, day to day demands, call loans on the stock exchange and against bankers acceptances. This money is not available either for extending credit or for investment, but is merely temporarily not used, but must be kept where it can be repossessed quickly. In Germany, it is money which industrial concerns cannot use at present, due to the prevailing depression, but which they want to keep very liquid. They cannot put this money into investments, nor will they lend it out as commercial credit. Hence the shortage of credit and capital, and the relative abundance of money. It will be remembered that a similar situation was evident in the United States during the depression in the latter months of 1919, when call loans could be obtained from 2 to 5 per cent. while 7 and 8 per cent. was being paid on bonds, and 6 to 8 per cent. on six months' loans. The report of the Direction der Disconto-Gesellschaft, refers to the drop in orders for iron and steel "which is here, as in all other branches of industry, to be explained by the difficulties of credit and the shortage of liquid running capital. This explanation at first sounds astonishing, when it is remembered that the German money market has been for quite a long time so easy that the Berlin rates for day-to-day money dropped from 6½ per cent. to 5½ per cent., monthly money to 7½ per cent., and private discounts to 5½ per cent. But these rates express very imperfectly the actual condition of the

## Germany

**S**INCE the stabilization of the currency in Germany, business conditions have been more or less uncertain, due partly to the sharp decline of prices, partly to the after effects of inflation, and partly to the high price of credit, mention of which was made in these columns last month. Depression reached its nadir at the end of January, when there were approximately 4,500,000 unemployed in Germany. Business failures touched a high of 2029 also in January. An interesting fact about the business failures, pointed out by the report of the Direction der Disconto-Gesellschaft, Berlin, is that in the middle of 1925, about 70 per cent. of the firms failing were firms founded since 1919, while in January 1926 these comprised 40 per cent. of the failures. The obvious conclusion is that the small inefficient companies which were formed to do business on the constantly rising prices of an inflation period were unable to weather the



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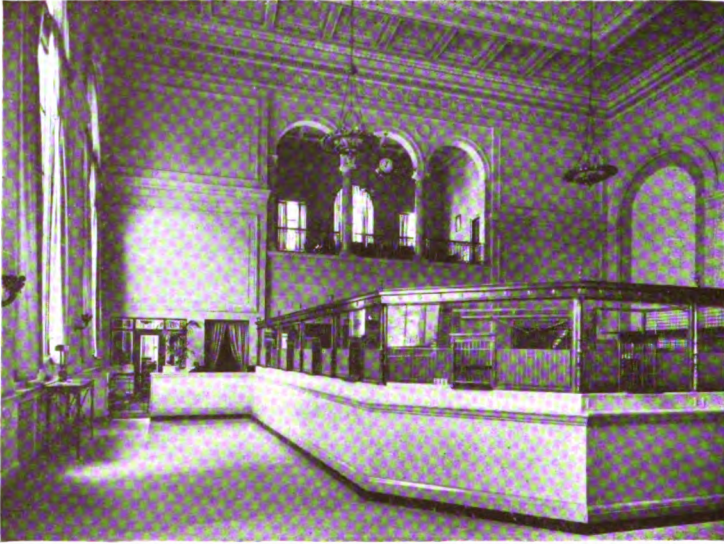
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#### *Opposition to Budget*

The budget proposed by Finance Minister Reinhold is meeting considerable opposition from the Socialists and Communists because it does not provide for enough public works expenditures to relieve unemployment to suit them. They take the view that such public works should be instituted to relieve the unemployment, or additional unemployment doles should be provided. This again is an example of the short sightedness of politicians. Admittedly, unemployment is to be regretted. The attempt to cure it by expenditures on public works or doles, however, is like taking aspirin for a headache caused by indigestion—it treats the symptom and not the cause. The unemployment in Germany results from business depression. The business depression is due partly to the declining prices, following the stabilization of the currency. One of the causes of the depression is the high taxation. To reduce government expenditures, thus encouraging business, is the sane and logical way to eliminate unemployment. To increase government expenditures by public works may relieve the situation temporarily, but it must result eventually in making it worse than it was before.

#### *Credits to be Extended to Russia*

The budget also includes the provision of 300,000,000 marks for the encouragement of trade with Soviet Russia. By this plan, when a German manufacturer sells goods to the Soviet on three or five years' credit terms, the German Federal government will guarantee 35 per cent. of the

credit, the state government in which the manufacturer is located will guarantee 25 per cent. of the credit, and the manufacturer will assume the balance of the risk. The law provides that when payments are made on such credits, the payments must first be applied against the amount guaranteed by the Federal and state governments. For this reason, it is meeting with considerable opposition from the manufacturers, who contend that if the Government is going to share in the risk of extending credit to the Soviets, it should continue to share until the risk is extinguished; i. e., that payments should be applied pro rata against the risks assumed by the three parties.

This measure is intended to stimulate trade, and, if passed, there is little doubt that it will do so. The question is: of what value is stimulation of trade if sales are made without payment being received? Someone must bear the loss on credit unwisely extended, even if the manufacturer does not. It may be that this measure will encourage manufacturers in their desire to increase volume of sales to fail to scrutinize as carefully as they otherwise might, the credit risks which they assume.

#### *American Trade With Germany*




The Department of Commerce reports that exports from the United States to Germany during 1925 increased almost \$30,000,000, totalling \$410,342,707. Imports into the United States from Germany increased in less amount (about \$25,000,000) to \$224,253,049. Trade with Germany in 1925 composed 16.52 per cent. of total American trade with Europe, showing but little change in this respect from 1924.



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| Calcutta     | Hankow   | Karachi  | Nagoya    | Rio de Janeiro | Sourabaya   | Tsingtau |
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Of the exports to Germany, cotton bulked largest, amounting to \$246,315,328, an increase of almost 10 per cent. over the amount shipped in 1924. Next to cotton, but far below it, comes copper, with \$32,991,251. Other important exports to Germany were lead, passenger automobiles, sulphur, lubricating oils, and calculating and adding machines.

Banner crops in Germany reduced America's exports to her of wheat and flour. Greece, and The Netherlands East Indies took some of our business in leaf tobacco, and The Netherlands also captured a good part of what was formerly American trade in lard. However, much of the lard from The Netherlands is really of American origin. All in all, from the American viewpoint, the figures are fairly satisfactory. Of the forty-three articles, exports of which exceeded \$100,000 in value, twenty-eight showed gains, and only fifteen showed losses. However, if reparation payments must ultimately be made in goods (and economists are fairly well agreed that they must) the United States cannot expect the export balance of trade with Germany to continue. Trade with that

country may well continue to be of large proportions, but the balance must eventually be in imports to the United States.

### The German Consolidated Municipal Loan

Late in February, Harris, Forbes & Co., New York, offered \$15,000,000 German Consolidated Municipal Loan Bonds at 94¾ and interest. The issue was well received and immediately over-subscribed. At the same time, \$2,250,000 were offered in Holland by Mendelssohn & Co., Nederlandsche Handel Maatschappij, Pierson & Co., R. Mees and Zoonen, and others.

In the way in which they make a number of organizations liable for the total issue, these bonds are similar to the Federal Farm Loan bonds. Since the adoption of the Dawes Plan, in order to enforce economy, the German Federal Government has kept careful supervision over municipal expenditures and borrowings. Especially it has refused to permit small issues of bonds, with the duplication each time of the financing charges. Instead, a number of municipalities has been grouped together for this loan, which is expected to

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be only the forerunner of a number of loans of this nature.

There are, in Germany, fifteen District Savings Banks and Clearing Associations, composed of the municipal savings banks of the cities within the districts and some outside the districts. These latter are admitted as special members. Since each municipal savings bank is owned by its municipality, and the municipality is liable for all its obligations, in effect, the members of the associations are the municipalities.

The fifteen district associations are banded together into a central association, with a capital of 20,000,000 gold marks, owned in equal shares by the district associations. Since the district associations are liable for the obligations of the central association, and the members of the district associations (3000 municipalities) are liable for all the obligations of the district associations, this issue of bonds—an obligation of the central association—is, in effect an obligation of 3000 communities, including over 90 per cent. of the total population of Germany.

This is further strengthened by the legal provision forbidding the association to dissolve while it has obligations outstanding. If any district association should find itself unable to meet its obligations, these obligations would be pro rated to the remaining members of the central association.

Thus, by co-operative action, the municipalities of Germany have been able to save considerable money; first, by eliminating duplicate financing charges of many small issues of bonds; and second, by creating by this plan a much stronger security than even the best of them could hope to offer individually, thereby reducing the rate of interest.

### **France**

**B**USINESS in France continues good, in spite of the uncertainty over the fiscal legislation, although business men are becoming more cautious. Rising prices of material, labor, and transportation are impinging slightly upon profits. The iron and steel industries, especially are maintaining a high level of activity. In January the iron output broke all records, reaching 763,000 tons. Steel production reached 661,000 tons, which did not quite surpass its October 1925 record of 668,000 tons. The textile and leather industries are fairly strong, car loadings and rail earnings are improving, and there is no appreciable unemployment, or any prospect of any in the near future.

#### *Export Balance in Trade for 1925*

Exports from France for the year 1925 showed a surplus over imports for the second time since the World War. Exports amounted to 45,413,000,000 francs, with imports of 43,980,000,000 francs, making an export balance of 1,433,000,000 francs due almost entirely to increased purchases by French colonies. However, as was the case last year, the trade measured in tons, is an import balance. Imports in metric tons were 47,425,000, as against exports of 30,226,000 tons. An interesting fact brought out by comparison with the 1924 figures is that while the amount of imports, in tons, was less in 1925 than in 1924, a greater amount in money was paid for the smaller quantity of imports.

After the first of the year, the trend was reversed and figures for January and February show exports of 8,277,000,000 francs and imports of 9,727,000,000 francs.

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| Reserve Fund and Profits Fmk. |       | 123,000,000   |
| Total Assets (31/12 '25) Fmk. | -     | 2,101,000,000 |

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Both these figures represent a considerable increase over the figures for the same period in 1924, due probably to the decline in the exchange value of the franc.

Of the 43,980,000,000 francs of imports into France in 1925, the United States supplied 6,382,900,000 francs, topping the list with an increase of 631,993,000 francs over the preceding year. The amount received by the United States from France, however, was 83,868,000 francs less than the preceding year, standing at 3,058,132,000. The bulk of France's exports go to England, Belgium, Luxemburg, and Germany.

### *More Fireworks on the Tax Bill*

During the month the French legislative bodies furnished considerable excitement, but accomplished little. The devitalized tax bill which passed the Chamber of Deputies in February went to the Senate where there was considerable discussion whether that latter body had the right to amend a finance bill, since such bills must originate in the Chamber. It was discovered that the bill, as passed, contained a provision for a national lottery which

seemed to have escaped the notice of all the deputies.

As predicted, the Senate restored to M. Doumer's bill the tax on exports, and the much disputed tax on payments. Thus, the bill was sent back to the Chamber of Deputies including again provision for 3,385,000,000 francs more than were voted by the Chamber.

When the debate opened in the lower house, the Government asked to have included an increase of 30 per cent. in the import duty rates. The Socialists made another drive to have a capital levy substituted for the Government's taxation measures, but this was defeated. The provision making it compulsory to make all declarations of income "under oath" was restored to the bill. Most of the measures restored by the Senate were passed, but the Chamber balked at the tax on payments, and when M. Briand made it a question of confidence, proceeded to defeat him, just as he was to leave for Geneva for the League of Nations meeting.

Then the Government suddenly discovered that it couldn't get along without M. Briand.

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and he was entreated to return. "No," said he, at first, "You broke a platter over my head, and now you want me to repair it." But eventually he consented to form another ministry, and become Premier for the ninth time. In his new Cabinet, Raoul Peret replaces M. Doumer as Finance Minister. M. Peret, being warned by the fate of his predecessors, Messieurs Locheur and Doumer that he cannot rely on an increase of indirect taxation through the tax on payments, nor on the capital levy, is leaning toward what he terms a "poll" tax, which, he says will be graduated from \$2 to \$100, according to the income of the individual. This is patently an income tax under another name. But that does not matter so much—speaking from the viewpoint of the good of France. What is now needed, and what has been needed for some time (French politicians to the contrary notwithstanding) is not any particular kind of taxation, but more taxation, to achieve a balanced budget. To twist the old saying, the French legislative bodies need to be exhorted to "stand not on the manner of taxing, but tax."

### *Bank of France Serves Tradesmen*

The difference of French banking methods from those of the United States is nowhere better illustrated than in the operations of the central banks of the two countries. The Federal Reserve Banks have no dealings with individuals or corporations, but are banks for banks. On the other hand, the Bank of France places its facilities at the disposal of the public in general. For example, in 1925, the bank discounted almost 11,000,000 bills, 75,000 of which were of a face value of from five to ten francs. Over 2,600,000 of the bills ranged from 10 to 100 francs in denomination. The smallest bill ever discounted at the New York Federal Reserve Bank was for \$2.81, and bills for amounts under \$100 are comparative rarities. The average size runs well into the thousands of dollars.

The use of checks in France is slowly but steadily growing, if the returns of the Paris Clearing House may be considered as indicative. The turnover, which in 1919 was less than 59,000,000,000 francs, rose to

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212,000,000,000 francs in 1923, to 368,059,000,000 in 1924, and to 371,656,000,000 in 1925. The majority of check payments, however, go through the Bank of France. These figures show only the trend, not the absolute amount of growth in the use of the check as an instrument of payment.

### *Morgan Loan Used*

In spite of the continuous protests of the Bank of France against inflation, it has been forced to continue it, M. Robineau reminded the shareholders in his annual report. Though the bank's council has not forgotten that its essential task is to defend its notes, it has been forced again and again to yield to the Government's demand for additional advances and more notes.

M. Robineau reported that the French Government drew upon the \$100,000,000 Morgan loan at the end of 1925 to the amount of 45,000,000 francs or about \$1,700,000, for the purpose of making a repayment to the Bank of France.

### *Francs at Low Level*

The result of the vacillating policy of the politicians of France which has been re-

corded above and last month is that in spite of good trade and export balances and all the other favorable indicia, French foreign exchange keeps right on going down and at the time this is written (March 23) stands at the lowest point since 1924. Confidence of foreign nations in the financial stability of the French franc has been shaken by these tactics, and nothing will restore it but a realization by the politicians that they must abandon (temporarily at least) their bickering for their party programs, and unite in an attempt to balance the budget and stabilize the franc. At present there is no evidence of their intention to do so.

### Belgium

FOR almost a year Belgium had held her exchange fairly stable at a value of about 4½ cents, and plans were well under way to make this stabilization permanent, by return to the gold standard, with the franc at a par approximating its actual exchange value instead of the pre war parity. But early in March something went wrong with the loan for \$150,000,000

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for which the Government was negotiating, and francs took a sharp drop to around 4 cents, recovering to about 4.22. The stabilization which existed for about a year was due to Government support relying on the \$50,000,000 stabilization loan obtained last year, but that could no longer be used, as it expired in March 1926.

The prior steps to stabilization have all been taken—the foreign debt has been funded, currency issues have been held steady without increases during 1925, monetary reserve has been increased about 5 per cent., substantial increases in taxation have been voted by the Belgium Parliament, and arrangements have been made for the reduction of the internal floating debt by an increase in the stock of the National Bank of Belgium. It is likely, therefore, that the setback suffered recently is only a temporary one.

### Poland

PRIOR to the World War there were numerous Austrian, Russian and German banks in Poland, but since the war, only the German banks remain. Approximately 9½ per cent. of the credit extended on current account in Poland is extended by branches of foreign banks. The French-Polish Bank stands at the head of the list in amount of such advances. Evidently competition among the foreign branches is very keen, for their costs for the year 1925 up to November 1 are reported as amounting to 1,987,000 zloty, while interest and commissions for that period

yielded the banks only 1,886,000 zloty of income.

#### *Four Periods in Poland's Recent Economic History*

Dr. E. W. Kemmerer, who has recently returned from Poland, speaking before the Bond Club of New York, at a luncheon, said that the last twelve years of Poland's economic history fall into four periods:

1. The period of destruction from 1914 to October 1920.
2. The period of reconstruction from October 1920, to late summer 1925.
3. The economic crisis, from the summer of 1925 to December 1925.
4. The period of depression and readjustment, beginning in December 1925 and still continuing.

At the end of the period of destruction, he continued, which for Poland lasted up to 1920 due to the trouble with Soviet Russia, Poland's economic structure was in ruins. Immediately, however, she began to rebuild, and during the period of reconstruction established a republican form of government, built up a good army, reconstructed her railway lines, stabilized her currency and returned to the gold standard. The details of how this stabilization was accomplished by balancing the budget and the establishment of the Bank of Poland were detailed in an article in the August 1925 issue of THE BANKERS MAGAZINE.

The tendency in a country with a depreciating currency is to pile up large stocks of goods which constantly increase in value, and to get rid of the depreciating money

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as quickly as possible. The sudden stabilization, therefore, found the merchants in Poland with abnormally large stocks. Taxation was heavy, trade with Germany was sharply curtailed at just that time, and with the decline of prospective profits, there was a sharp decline in security values and in the exchange value of the zloty. The public, remembering the former depreciation of the currency, hurried to convert bank notes into cash. Budget deficits occurred, which were met by government issues of paper money, so that in spite of declining trade, there was but little contraction in the monetary circulation. Nor was the other force for checking a drain on the reserves (the discount rate) used. Consequently when the reserve declined to the legal limit, redemption of notes was suspended, and granting of credit was discontinued.

A new coalition government was formed, with Alexander Skrzynski as Premier, and Jerzy Edziechowski as Finance Minister, issuance of government paper money was discontinued, drastic economies were inaugurated, and the budget for 1926 is expected to balance. The results are apparent. The reserves of the Bank of Poland have risen from 30 per cent. to about 40 per cent. The zloty has recovered from its low figure of 10.5 cents to 14 cents and is holding fairly stable at that amount.

In other words Poland's failure to maintain the gold standard at first attempt was due more to a set of unfortunate circumstances than to bad fiscal policy. The Polish people and the Polish Government

seem to understand that the way to recovery lies in economy, and their attitude is very encouraging. Such courage in fiscal policy is rare in Europe.

### **Japan**

**I**N Japan the unusual spectacle has been witnessed of an appreciating exchange viewed with great dissatisfaction. The yen, par for which is 49.8 cents, has been advancing since last October, when it stood at about 40 cents, to about 45 cents, in the face of an import balance of trade. The advance is attributed by the newspapers to speculative buying all over the world, looking toward the restoration of the gold standard by Japan. The Government has been instituting economies, but the budget for 1926-27 shows a small deficit, indicating that the expectations of early return to gold are not too well founded.

Business in Japan has been on the up grade for almost six months, although some uncertainty has lately been evident on account of the delay in settling the new tariffs. Increases in the duty on wheat and flour have already been provided for. It is said that higher tariffs would be more welcome than the uncertainty now prevailing.

There is also uncertainty over the exchange. Japanese business men feel that the present rate, resulting from such a sharp advance, is not justified by economic conditions. It is created by speculation, and cannot, therefore, be permanent. How soon the rate will drop back to normal is

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what they are wondering. This point of view is probably fathered by the knowledge that the low exchange has been very helpful in making 1925 the greatest year in history for Japan's foreign trade.

## Greece

At the end of 1925, M. Tantalides, Minister of Finance of Greece, found himself faced with a budget deficit of 300,000,000 drachmas, floating debt to the National Bank of 1,200,000,000 drachmas, outstanding Treasury bonds of 1,500,000,000 drachmas, and fiduciary note issue amounting to 2,500,000,000 drachmas.

To provide a part of the 5,500,000,000 drachmas, the Finance Minister proclaimed a forced loan, secured by reducing the value of the currency 25 per cent. All notes in circulation of denominations larger than 25 drachmas were required to be cut into two unequal parts, the larger part to have a value equal to three-fourths of its former value. The smaller part will be converted into a twenty year loan bearing interest at 6 per cent. From time to time, there will be annual drawings of the bonds of this forced loan, with prizes amounting to 10,000,000 drachmas. By this method, the Finance Minister hopes to raise 1,250,000,000 drachmas, of which 750,000,000 would be used in the liquidation of part of the floating debt, and 500,000,000 drachmas would be turned over to the National Bank of Greece in payment of the indebtedness to that institution.

### *Not an Inflationary Measure*

The Finance Minister announced that this was not an inflationary measure, but was intended to teach a lesson to the hoarders

of currency, who had caused a shortage of circulating medium. The reduction would also, he said, relieve the situation by reducing the currency. Inflation being defined as an increase in purchasing power without a corresponding increase of purchasable goods, this is certainly the reverse of inflation. Since currency shortage is usually due to inflation, it may be true that reducing the value of the notes will have some effect in relieving the shortage of currency by eliminating the cause of such shortage, even while reducing the amount of purchasing power. Such a forced loan has the same effect as increased taxation; it suddenly takes purchasing power away from individuals and places it in the hands of the Government. It seems a little less severe than taxation for it promises to return the purchasing power at some future date while taxes are never returned. It has a very bad effect, however, when accomplished in the manner in which this was, for it tends to destroy confidence in the circulating medium, and thus while actually deflating, having the same social effect as inflation. That is, it encourages people to spend rather than save; to get rid of money in exchange for tangible goods as soon as possible, lest the money lose its value by another forced loan.

### *Has Been Used Before*

This is particularly so where the forced loan becomes a common measure of government finance, as seems likely in Greece. This is the second time it has been used in five years. The previous forced loan was in 1922, to meet the heavy expenditures required in the Asia Minor campaign, an external loan being found impossible. At that time the currency notes were cut in



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### *Some Press Opinions*

"In the hands of Mr. W. F. Spalding the preparation of this standard work, with the thoroughness to be expected from this author, has naturally necessitated the re-writing of much of the book, which is now up to date in every respect."—"Morning Post," December 28, 1925.

"Will be welcomed by all those whose business requires exact information regarding the money units of civilized countries. In the new edition Mr. Spalding has had to include countries never dreamt of before the War."—"Daily Telegraph," December 19, 1925.

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two, and one half continued to circulate as currency at one half its former value, while the other half was converted into a long term loan to the state. Already the people seem to be somewhat accustomed to these forced loans, for the last was met with practically no protests

Since that time some improvement has been evident, although it has not been great. Full payment has been resumed of the coupons of the Greek gold loans of 1887, 1889, and 1893. This is only the third time these coupons have been paid in full, the other two payments being in 1920 and 1921. Revenues on the 1925-1926 budget are not coming up to estimates, but the Finance Minister insists that these declines will be met by economies, and a deficit will be avoided.

### *Funding Negotiations Unsuccessful*

In January Greece sent a delagation to Washington to negotiate with the World War Foreign Debt Funding Commission, but no agreement was arrived at. It seems that in 1918 the United States, along with Great Britain and France promised credits to Greece to provide for war activities. On the basis of these promises the Greek Government made expenditures and issued bank notes, but the credits were never extended. The obligation of the United States under this agreement is approximately \$48,000,000. The debt of the Greek Government to the United States is approximately \$15,000,000. Their contention is that the United States should extend to Greece a further loan of \$33,000,000 (thus fulfilling the agreement of 1918) before the \$15,000,000 now owed is funded. This the American commission refused to do, and the Greek delegation returned to Athens for further instructions. And so the matter stands.

### **Russia**

**T**HE budget of the Soviet Union for 1925-1926 balances at 8,620,512,000 rubles. Only about half of this is provided by taxation. Receipts from state properties, such as the post and telegraph, the railroads, industries, banks, etc., are expected to provide 1,925,078,000. During the last few years, receipts have been showing an increase, due in some measure to increased receipts from the state enterprises, but more from increased taxation. Revenues realized rose from 2,298,100,000

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rubles in 1923-24 to 2,787,300,000 in 1924-25, and estimated receipts for 1925-26 are 3,778,637,000. Direct taxes have been further reduced in favor of indirect taxes, in accordance with the policy of relieving the peasants of their heavy burden.

The Soviet Government still maintains its hostile attitude toward the rest of the world in general. Christian Rakovsky, Russian Ambassador to France, writing in the *New York Times* recently, evidenced this in his remark that "it is a great mistake to believe that Russia has any more need of foreign capital than foreign industry itself has need of raw material and of Russian orders." This is so palpable a fallacy that even M. Rakovsky must have realized it. One has only to compare conditions in Russia and in any other country to judge whether Russia needs the rest of the world more than the rest of the world needs Russia.

#### *Inflation Threatened Again*

The Russian peasants who have been responsible for most of the late improvement in the economic situation of Russia seem to have lost confidence in the monetary unit

again, and have refused to sell their grain when they could hold it. Consequently, the state receiving 1,000,000 tons less of grain than was expected, exports are insufficient to cover the extensive purchases of goods and machinery made by the Government. Imports have been sharply reduced, and credits have been curtailed in the effort to avoid inflation.

The Government needs exports, in order to pay for imports, and yet the peasants seem to be practically the only class in Russia who are producing an export surplus. And they will not sell their products for an unstable monetary unit, nor will they buy the products of the Russian industries at the present high prices. Eliminating the question of prices, and speaking economically, the situation seems to be that the industrial classes (workers in the textile factories, etc.) are demanding such high wages and producing so little that it is impossible for them to exchange their products for the things produced by the peasants on any reasonable basis. But they do not understand this, and clamor for higher wages. Since the Russian people seem to be very willing to follow a strong

leader there is hope in the stand taken by Premier Rykoff, who plainly tells them that "an increase in ready money will not satisfy our needs. The only way is to increase production. The long lines of people in front of the stores will not become shorter if we only increase wages without increasing the quantity of goods."

### Austria

THE winter depression in Austrian trade has passed, and industrial activity is increasing quite noticeably. Though the number of unemployed is increasing, the increase is at a much reduced rate. The import balance of trade in 1925 was \$134,000,000 as compared with \$208,000,000 in 1924. The metallic reserve of the Austrian National Bank has increased from 352,100,000 to 518,400,000 schillings, with a concurrent rise of note circulation from 880,300,000, to 891,300,000, hence the reserve ratio has risen from 46.8 per cent. to 61.4 per cent. indicating a sound condition. In fact, monetary conditions have been as stable as could be wished in Austria

since the creation of the schilling in September 1922. The gold standard has been maintained with only the normal fluctuations of exchange between the gold points.

### Ireland

THE banking system of Ireland is built on that of England, and the issue of currency authorized under the Peel Act of 1844 is limited to £5,500,000 without security. Additional notes may be issued only against gold, leaving as little elasticity in the currency as in England. Another fault with existing conditions is that the Irish banks draw their funds from the savings of the Irish farmers, but make their investments in England. The Irish Free State would like to revise the law to bring the system up to date, and accordingly has invited H. Parker Willis, editor of the New York *Journal of Commerce* to become chairman of a governmental committee of inquiry into Irish banking conditions, which will make a scientific survey of the problems.

## International Banking Notes

The annual report of the British Linen Bank, Edinburgh, for the year ending January 15, 1926 shows net profits, after providing for bad and doubtful debts, interest due to customers, and rebate on bills current, of £320,234, which, added to the balance brought forward from the previous year of £69,269, makes a total of £389,504.

Of this amount, £158,883 has been applied to the payment of two half-yearly dividends at the rate of 16 per cent. per annum, less income tax. Twenty-five thousand pounds has been used in reduction of bank premises account, £100,000 has been transferred to reserve fund, and £50,000 to pension reserve fund, which leaves £55,620 to be carried forward to profit and loss. Undivided profits will then amount to £1,855,620.

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The sixteenth annual report of the Eastern Bank, Limited, London, shows net profits for the year ending December 31, 1925, after providing for contingencies, of £122,502, added to which the balance brought forward from last account, £35,400, brings the total to £157,902. Of this

amount, £40,000 was distributed in October 1925, as an interim dividend at the rate of 4s. per share. The directors have recommended a final dividend of 5s. per share, which, less income tax will amount to £43,000. Twenty thousand pounds is to be added to the reserve fund, and £10,000 is to be applied to the writing off of premises account, leaving a balance of £37,902 to be carried forward to next account.

©

The annual report of the Internationale Bank Te Amsterdam, Amsterdam, for the year ending December 31, 1925 (the second year of its operation) shows net profits, after deduction of expenses and depreciation, of 1,940,809 florins, to which has been added the balance brought forward from last year, 57,861 florins, making a total of 1,998,670 florins. This amount has been disposed of as follows:

|   | Florins |
|---|---------|
| To reserve .....                                    | 900,000 |
| To dividend of 6 per cent. per annum.....           | 840,000 |
| To dividend taxes .....                             | 76,000  |
| To remunerations under article 25 of statutes ..... | 104,672 |
| Balance carried forward to next account             | 77,978  |
| Balance carried forward to next account             | 77,978  |

The fifty-ninth semi-annual report of the Dai-Ichi Ginko, Limited, Tokyo, Japan, for the half-year ending December 31, 1925, shows gross profits for the period of yen 16,972,502, and net profits (after deducting general expenditure of yen 11,857,571) amounting to 5,114,931. To this amount has been added the balance of profit brought forward from last account, yen 1,383,630, making a total of yen 6,498,561.

The directors have recommended that this amount be disposed of as follows:

|  | Yen       |
|--|-----------|
| To bonus for directors, auditors, and chief officers ..... | 255,740   |
| To pension fund for officers and staffs .....              | 102,290   |
| To be added to reserve fund .....                          | 1,500,000 |
| To dividends at the rate of 13 per cent. per annum .....   | 3,250,000 |
| Carried forward to next account .....                      | 1,390,531 |

⊙

The Banque Populaire Suisse, Berne, Switzerland, a co-operative society founded in 1869, reports net profits for the year 1925 after setting up suitable reserves, of 6,300,000 francs, allowing the payment of a dividend at the rate of 6 per cent. The bank now has fifty-three branches throughout Switzerland.

⊙

The report of the Bank of Finland, Helsingfors, for the year ending December 31, 1925 (its 114th financial year) shows net profits, after payments of all expenses and making provision for bad and doubtful debts, of Fmk. 82,673,890.

As of December 31, 1925, the stock of gold and bullion of the bank amounted to Fmk. 331,634,372, while notes in circulation totaled Fmk. 1,309,306,039. Combined capital and reserve fund of the bank stands at Fmk. 550,682,634.

⊙

The report of the Imperial Bank of India, Calcutta, for the half-year ended December 31, 1925, shows net profits of rs. 38,25,044, to which was added rs. 21,97,874 brought forward from previous account, making a total of rs. 60,22,919. This amount has been disposed of as follows:

|   | Rs.       |
|---|-----------|
| To dividend to shareholders at the rate of 16 per cent. per annum ..... | 45,00,000 |
| To amount transferred to reserve fund .....                             | 5,00,000  |
| Carried forward to next account .....                                   | 10,22,919 |

The Imperial Bank was chartered in 1920 for the purpose of taking over the business of the Bank of Bengal, the Bank of Bombay, and the Bank of Madras, and at that time agreed with the Government to open 100 branches within five years. This contract has been completed, with the

opening of fifteen new branches between June 30 and December 31, 1925.

⊙

The statement of the Compania Swift Internacional, Buenos Aires, Argentina, for the year ending December 31, 1925 shows a loss of \$693,800. However, dividends at the rate of 6 per cent. per annum were paid during the year out of accumulated surplus. After these deductions, deductions for directors' and auditors' fees, and the necessary reserves, surplus stood at \$12,370,005. The company has total assets of \$44,226,116.

⊙

Sir John Ferguson, K. B. E., has resigned as a joint general manager of Lloyds Bank Limited, London, to become deputy chairman of Liptons Limited, London.

⊙

The Aktiebolaget Nordiska Handelsbanken, Göteborg, has been succeeded by the Aktiebolaget Göteborgs Handelsbank, organized on October 1, 1925, with capital of Kr. 30,000,000 (20,000,000 in share capital and 10,000,000 in so-called registered certificates) to take over the business of the Aktiebolaget Nordiska Handelsbanken. The new institution, according to its December 31, 1925 report has sixty-nine branches, in addition to the head office at Göteborg.

⊙

Hambros Bank has moved from its old quarters at 70 Old Broadstreet, London, to a new building at 41 Bishopsgate. The old quarters had been occupied for the past eighty-seven years. The Hambros Bank dates back very early in the Nineteenth Century. It was originally established in Copenhagen by Joseph Hambro, who was court banker to the Kingdoms of Denmark, Norway, and Sweden. About forty years later Charles Joachim Hambro established a branch of the business in London. The bank has always held foremost place in the financing of Scandinavia, and is one of the few merchant banks which have stood the test of a century of varying business and financial stresses.

⊙

Roumania has funded her war debt to Great Britain, but the terms have been withheld because, it is said, they were so favorable that the British Government did not wish them to serve as a possible precedent for settlements with other nations.



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# Some Bank Credit Problems

THE BANKERS MAGAZINE has secured the services of a capable credit man to answer the inquiries of readers on current problems of the credit manager. Questions of general interest to credit men and bankers will be answered and only the initials of the persons asking the question will be used. In case the question is not one of particular interest to bank credit men as a whole or is one which has been answered before, a reply will be made by mail.

In order that all questions may be answered intelligently, it is requested that they be direct and to the point, but that sufficient necessary detail be included to enable the editor to draw the proper conclusion. Inquiries should be addressed to the Editor, Bank Credit Problems, THE BANKERS MAGAZINE, 71-73 Murray Street, New York.—EDITOR.

## Statement Analysis

IN this month's article, the Credit Editor concludes the subject of statement analysis in his series on credit and credit department methods. The previous articles in the series which began last April, have been of an introductory nature.

IN the previous two issues, the analysis of asset items was discussed. The analysis of the assets after all is the analysis of the balance sheet. The liabilities are unquestionably liabilities, and this may be assumed as a matter of fact, while, in the case of assets, it is a problem of "when is an asset not an asset?" Assets are, therefore, analyzed closely to determine their goodness and their liquidity. In the case of liabilities, the credit man is generally satisfied that the amount stated represents actual bona fide debts. Again, he is inclined to accept practically all as current debts except mortgage or funded indebtedness, or debts the maturity of which is unquestionably beyond one year from statement date. He takes some interest in to whom the indebtedness is owed, but only to find the amount due to someone from which he can obtain a subordination to the company's other indebtedness, for to him debts are debts. He is vitally interested in whether all liabilities are shown, and not, as in the case of assets, whether too much is shown.

In the issue of August 1925, liability items were discussed, and points which should be covered by the auditors and questions which the analyst or credit man might raise with regard to liability items were indicated. When a concern gets into difficulty its

assets decrease and its liabilities increase. While, of course the credit man extends credit with the feeling that the concern is and will continue as a going company, nevertheless, he cannot lay aside the fact that from many points the analysis of the balance sheet must be made with the foregoing idea in mind; i. e., in the event of difficulty the assets decrease and liabilities increase. From this, and what has been said in the February and March issues, conflicting ideas may be gained from just what angle the credit man really views the balance sheet and classifies the items. Perhaps the situation can be summed up somewhat as follows:

1. Classify only those items as current assets, which are current in the usual course of business.
2. Classify only those items as current which will probably be turned into cash within the coming year.
3. Do not classify any assets as current which might be quick assets to a liquidating concern.
4. Classify all items as current liabilities which have a maturity within one year from statement date.
5. Classify any liabilities as current that have a maturity longer than one year if the company expects to make payment on account within the year.

Therefore, it is evident that the analyst is essentially interested in discovering whether the liabilities shown represent the full debts of the company. It is this point in connection with which he raises questions and this feature he sets about to investigate. In analyzing a balance sheet this is the essential fact to determine with regard

to liabilities. While much is to be done with regard to analyzing and picking apart asset items this is not so generally true of liabilities. The general liability items will be renewed briefly for the purpose of raising some points in connection therewith. They were discussed more fully in the August 1925 issue.

#### *Notes Payable*

With regard to notes payable for borrowed money, the question, "to whom," is a very usual one. Generally the amount is due banks. In special cases it may be of value to see the amount due each bank in order to see what lines the company has open. Perhaps a portion is in the open market as commercial paper sold. Notes to banks are customary, and the credit man is little concerned about the maturities; being more concerned as to the lines of accommodation which the company has, and whether they are properly handled. Perhaps some of the notes are to friends or relatives, officers and directors. Such indebtedness is not generally considered as particularly attractive. A portion may be secured. Also, the question can be raised as to whether any of the notes payable are on a demand basis, and the reason therefor.

If there are notes payable for merchandise, consider whether it is customary to give notes in this line of business. If not, why are they given? Are they given for past due accounts?

Other notes payable should specify to whom and for what they are owed? Also, other accounts payable should reveal like information. If they are owed to officers and directors, can a subordination be obtained? What is the possibility of capitalizing the item? Does the company's statement show need for this? It may be money deposited by friends and relatives; simply left with business on an interest basis. The company may not be in any particularly urgent need of the funds.

#### *Other Liability Items*

Are any of the accounts payable for merchandise past due? If the business is a seasonal one, have merchandise purchases for a future season, and accounts payable therefor been omitted from merchandise and accounts payable respectively?

Has provision been made for Federal taxes? If the amount is substantial, it is

perhaps well to consider that the Federal tax is a preferred liability, and in the event of trouble, comes ahead of other liabilities.

When is the mortgage or funded debt due? What portion is due within the coming year? This should be carried as current. Against what assets does this liability constitute a lien? Secure a copy of the indenture and review carefully as to assets pledged and position company covenants to maintain in respect to relation of current assets to current liabilities.

Are there any sinking fund requirements for the preferred stock issue? Are there any definite stipulations as to the asset position to be maintained?

What contingent liability is there on receivables discounted? What as guarantor or endorser? Has the company any forward commitments for merchandise? Are there any special contingent liabilities, such as the following? "As it is deemed advisable to make certain additions, betterments and improvements to the building, the company agrees to purchase \$50,000 preferred stock of the building company and \$50,000 of its common stock." or "under the terms of the lease, the company agrees to do a certain amount of building by a certain definite time." Sometimes land will be leased for a long period of years, and under this lease, the lessee is to erect certain buildings. Upon default of the lease, all buildings, etc., revert to the lessor. Contracts to build under such leases might prove quite a drain on working capital, and if the company is unsuccessful, a very important portion of its assets (in the form of buildings) will not revert to the benefit of the creditors. Has the company letters of credit outstanding? There are many important matters of this kind which can affect a company very seriously.

Leases are becoming more important as chain store operations continue to grow. Several companies have been affected very adversely by unfavorable leaseholds. Good locations are essential to profitable operation, particularly in the retail line, and one or more unfavorable leases may prove very costly.

In this issue and the two previous issues, the general analysis of the balance sheet has been reviewed. In the January 1926 issue, a questionnaire in connection with the analysis of statements was mentioned such questionnaire to be prepared in connection

with preceding comments, and one or two cases will now be taken up as examples.

The following shows the December 31, 1925 balance sheet of Brown, Jones & Co., contrasted with that of December 31, 1924, in much the same way as if statement would be put up on a comparison form:

|                                       | 12/31/24  | 12/31/25  |
|---------------------------------------|-----------|-----------|
| <b>ASSETS</b>                         |           |           |
| Cash .....                            | \$ 48,000 | \$ 92,000 |
| Notes receivable .....                | 20,000    | 21,000    |
| Accounts receivable .....             | 350,000   | 455,000   |
| Merchandise .....                     | 360,000   | 500,000   |
|                                       | <hr/>     | <hr/>     |
| Other receivables .....               | 788,000   | 1,068,000 |
| Real estate and buildings (net) ..... | 16,000    | 18,000    |
| Equipment (net) .....                 | 140,000   | 138,000   |
| Miscellaneous .....                   | 18,000    | 18,000    |
|                                       | <hr/>     | <hr/>     |
|                                       | 3,000     | 3,000     |
|                                       | <hr/>     | <hr/>     |
|                                       | 955,000   | 1,245,000 |
| <b>LIABILITIES</b>                    |           |           |
| Notes payable .....                   | 200,000   | 450,000   |
| Accounts payable .....                | 40,000    | 50,000    |
| Other payables .....                  | 30,000    | 40,000    |
|                                       | <hr/>     | <hr/>     |
| Capital stock .....                   | 270,000   | 540,000   |
| Surplus .....                         | 500,000   | 500,000   |
|                                       | <hr/>     | <hr/>     |
|                                       | 185,000   | 205,000   |
|                                       | <hr/>     | <hr/>     |
|                                       | 955,000   | 1,245,000 |
| Current assets .....                  | 778,000   | 1,068,000 |
| Current liabilities .....             | 270,000   | 540,000   |
| Ratio .....                           | 2.88      | 1.98      |
| Net current assets .....              | 408,000   | 528,000   |
| Sales .....                           | 1,220,000 | 1,320,000 |

In connection with the foregoing balance sheet which is being analyzed, that of December 31, 1925, the following gives a list of questions, and a paragraph of comment, which would perhaps be made by the analyst in connection with the balance sheet.

Statement memorandum Re: Brown, Jones & Company, December 31, 1924 statement.

1. Not audited.
2. Profit and loss statement not supplied.
3. Accounts receivable—\$455,000. Are these all from customers for merchandise sold? Has adequate provision been made for bad debts? These show increase for the year of \$105,000, whereas volume only increased \$100,000.
4. Merchandise—\$500,000. How valued? Why the substantial increase during the year? Have they any slow moving or carry-over merchandise?
5. Notes payable—\$450,871.05. Why an odd amount?
6. Federal taxes—Has proper provision been made?

7. Plant and equipment—\$156,000. This is mentioned net. Is it the net of depreciation or net of mortgage, or both?

8. Insurance—Is merchandise and plant fully covered?

9. Contingent liability—Have they any?

10. Maximum and minimum indebtedness.

Comment: Surplus shows an increase of

\$20,000 for the year, and the full amount is reflected in net working capital, aggregate fixed assets remaining unchanged. However, in view of the substantial increase in current debt to take care of similar current asset increase, the ratio shows decline from 2.88 to 1.98 in spite of the working capital addition. Sales for the year have increased \$100,000 over the previous year, whereas receivables outstanding at the close of the year were \$106,000 higher, and inventory is up \$140,000. This inventory increase of \$140,000, plus receivable increase \$106,000, plus cash increase \$44,000, (total \$290,000) is equivalent to the current debt increase of \$270,000, plus working capital increase of \$20,000. From the size of the inventory in proportion to the volume, it would appear that they have been caught with a substantial amount of merchandise which did not move as quickly as anticipated, which they are possibly forced to carry over, and in connection with which they may have to take a substantial loss. This makes data as to basis of inventory valuation of particular interest. It would



also be well to have a classification as to departments and sales for each department. It would appear that receivables represent large sales near the close of the year to reduce inventory and it seems odd, in view of the apparent changes, that they have been able to make a profit. This should be gone over very carefully with the principals and full data obtained, as close analysis of the company's position from the information at hand is impractical.

The following are the December 31, 1925 balance sheet and profit and loss statement for Peter Smith and John Smith, Inc., for the fiscal year ended that date, compared with the 1924 figures:

We have audited the books and records of John Smith and Peter Smith, Inc., and the above statements show their financial position as at December 31, 1925, and give a synopsis of operations for the year.

We verified cash by direct correspondence with the banks. Letters were sent to all customers and replies received from about 75 per cent., and the amounts stated by them as owing to the company were in accordance with the records shown by the books. The receivables were all reviewed with the credit manager, and provision has been made for all those believed doubtful. We had no part in taking the inventory, but it was certified to us by the manage-

|   | 12/31/24  | 12/31/25      |
|---|-----------|---------------|
| <b>ASSETS</b>   |           |               |
| Cash .....  | \$ 23,000 | \$ 28,000     |
| Notes receivable .....  | 2,000     | 3,000         |
| Accounts receivable (less reserve for disc. and bad debts)..... | 225,000   | 245,000       |
| Merchandise (cost or market) .....                              | 240,000   | 220,000       |
|   | <hr/>     | <hr/>         |
|   | 490,000   | 496,000       |
| Other receivables .....   | 68,000    | 76,000        |
| Real estate and buildings (net) .....                           | 169,000   | 174,000       |
| Machinery and fixtures (net) .....                              | 60,000    | 64,000        |
| Miscellaneous .....   | 8,000     | 7,000         |
| Good will .....   | 100,000   | 100,000       |
|   | <hr/>     | <hr/>         |
|   | 895,000   | 917,000       |
| <b>LIABILITIES</b>  |           |               |
| Notes payable, banks .....                                      | 250,000   | 150,000       |
| Accounts payable .....  | 40,000    | 42,000        |
| Federal taxes .....   | -0-       | 2,000         |
|   | <hr/>     | <hr/>         |
|   | 290,000   | 194,000       |
| Capital stock .....   | 400,000   | 500,000       |
| Surplus .....   | 205,000   | 223,000       |
|   | <hr/>     | <hr/>         |
|   | 895,000   | 917,000       |
| Current assets .....  | 490,000   | 496,000       |
| Current liabilities .....                                       | 290,000   | 194,000       |
| Ratio .....   | 1.70      | 2.55          |
| Net .....   | 200,000   | 302,000       |
| <b>Profit and Loss Statement</b>                                |           |               |
| Sales .....   | 1,081,000 | 1,223,000     |
| Costs of goods sold:  |           |               |
| Merchandise .....   | 260,000   | 240,000       |
| Purchases .....   | 900,000   | 900,000       |
|   | <hr/>     | <hr/>         |
|   | 1,160,000 | 1,140,000     |
| Close of inventory .....  | 240,000   | 220,000       |
|   | <hr/>     | <hr/>         |
|   | 920,000   | 920,000       |
| Gross profit .....  | 161,000   | 303,000       |
| Expenses:   |           |               |
| General .....   | 101,000   | 103,000       |
| Selling .....   | 28,000    | 52,000        |
| Administrative .....  | 80,000    | 80,000        |
|   | <hr/>     | <hr/>         |
|   | 209,000   | 235,000       |
| Loss .....  | 48,000    | Profit 68,000 |
| Adjustments .....   |           | 38,000        |
| Federal tax .....   |           | 2,000         |
| Stock discount .....  |           | 10,000        |
| Loss .....  | -0-       | 50,000        |
|   | <hr/>     | <hr/>         |
|   | 48,000    | Profit 18,000 |

# Kidder, Peabody & Co.

Founded in 1865

Boston

New York

Providence

Government Bonds

Investment Securities

Foreign Exchange

Letters of Credit

We issue confirmed Circular and Commercial Letters of Credit in £ on

**BARING BROTHERS & CO., Ltd.**

LONDON

and their correspondents throughout the world; also Letters of Credit in \$ on

**THE KIDDER PEABODY ACCEPTANCE CORPORATION**

BOSTON or NEW YORK

ment that it was taken at cost or market, whichever was lower.

We checked the bills payable and accounts payable direct with the people to whom they were owing, and so far as we were able to ascertain, provision has been made for all liabilities.

The company sold \$100,000 capital stock during the year, the entire proceeds of which have been received.—AUDITORS.

The following memorandum indicates questions of reasonable importance which might be raised in conjunction with the foregoing December 31, 1925 balance sheet and profit and loss statement. Also, there is a paragraph of comment in connection with the showing.

Statement memorandum Re: Peter Smith and John Smith, Inc., December 31, 1925. Audited statement.

1. Accounts receivable—\$245,000. These are stated as less reserve for discounts and bad debts. What was the amount of such reserves?

2. Other receivables—\$76,000. To whom are these due?

3. Plant and equipment—\$238,000. We are advised that this is net. Does this mean net of depreciation or net of mortgages, or both?

4. Insurance—Is sufficient insurance carried to protect plant and merchandise?

5. Contingent liabilities—Has the company any?

Comment: This statement reflects a splendid improvement over that of a year previous. Capital stock shows increase of \$100,000, due to sale of new stock, while surplus shows an increase of \$18,000, which represents net earnings for the year. This makes total new money in the business of \$118,000, and of this, working capital received \$102,000, and the balance of \$16,000 is scattered over slow assets. It will be noted that the stock was evidently sold at 90 per cent. of its face value, but the full discount of 10 per cent. was charged off, no amount being carried in the assets, in connection with it. This new money to working capital (\$102,000) was used; \$6000 to increase current assets, and \$96,000 to reduce current debt. This large debt reduction brings about a splendid improvement in ratio, from 1.70 to 2.55. Volume was increased \$142,000, and in spite of this, they were able to close the year with \$20,000 less inventory on hand. Also, in view of the volume increase, it will be noted that receivables increased only \$21,000. They made a much larger gross profit during the year, expenses only increased a

moderate amount, bringing about a substantial operating profit of \$68,000. There were evidently certain adjustments to make in connection with inventory, etc., and if full adjustment is now made and their assets are down to a proper figure, in view of generally better conditions, it is reasonable to expect that they should show an attractive profit for the coming year.

**Questions and answers on bank credit problems follow as usual and will continue each month.**

**QUESTION:** As one of your subscribers, I am taking the liberty of addressing you for information of just how the executive loan committee functions in a modern efficient bank. I am on such a committee in a local bank and it seems we beat the air to some extent, and I have been wondering whether we are working along lines which are approved as efficient and modern. Our committee is composed of the president, the cashier and three directors. We meet Mondays, Wednesdays, and Fridays from 9 to about 11 a. m. The cashier reads off in order each note due today, tomorrow, those discounted yesterday, and those discounted the day before. (In busy seasons we meet daily and then are read only notes due today and those discounted yesterday.) After the notes are read, the cashier brings up any such applications as he and the president felt should come before the committee before being acted upon. The president and cashier have practically full authority to grant any loans without the formality of the committee's approval.

This reading of each individual note consumes a lot of time; the maker and endorser are frequently unknown to the committee, except the president and the cashier, and I am wondering if ours is the usual method of handling this work, or if there is a better method. If so, what?

We, of course, also discuss bank policies at these meetings.

Will appreciate any information you can give us.—A. B. H.

**ANSWER:** The method in which your executive loan committee functions, as outlined above, is in line with the procedure adopted by other committees in moderate sized banks. The practice of the president,

cashier and three of the directors meeting three days a week, and reading off all notes due the day of the meeting and the following day, as well as all notes discounted the two previous days, is a rather boresome task and usually does not result in any particular profit. As you state, a number of the names, particularly those of endorsers, are unknown to the members of the committee, aside from the president and the cashier. It seems that in this method of operation a great deal of work is performed which is unnecessary. As the committee functions, it indicates that sufficient confidence is not reposed in the officers immediately in charge of the bank. Of course, the credit editor is not familiar with the by-laws of your particular institution, but it would seem from the standpoint of efficiency that the officers—perhaps, in your case, the president and the cashier—should be given authority to individually or collectively, loan up to a certain definite amount without referring the matter to the committee. Once a bank has granted authority to the officers and given them the responsibility of making such loans up to a certain amount, it is useless to spend hours reviewing them. The amount that the officers should individually or collectively be authorized to loan is a matter for each institution to decide.

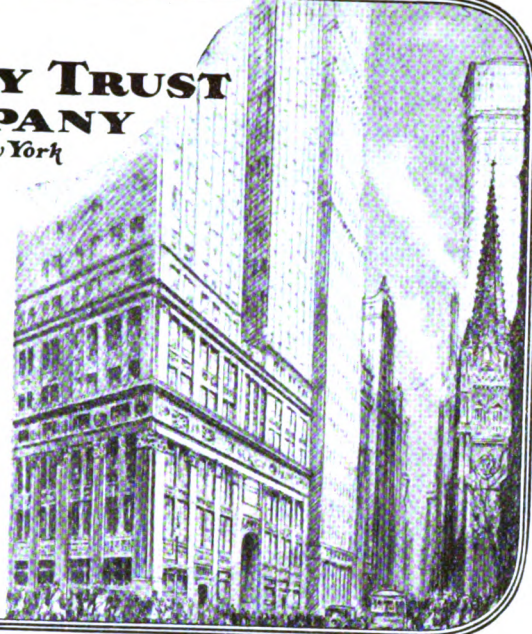
The functions of the executive loan committee should be more to arrange definite lines of credit than to be continually approving loans to the same people. The president and cashier should assemble all the data and submit it to the executive loan committee at one of its meetings. The executive loan committee should in turn pass upon this information and arrange a certain line of credit for the customers, which the officers of the bank should be allowed to extend. It might be advisable to adopt some sort of line approval ticket, which would state the name of the customer, address, line of business, and line of credit, and have this ticket initialed by the members of the loan committee. These lines should be approved for a certain period, such as one year, or might extend for an indefinite time to be revoked only upon receipt of unfavorable information, warranting such action. If time will not permit the matter to be held over for the executive loan committee meeting on a case of extending credit more than the officers are allowed jointly to extend, the officers can, no doubt, get in touch with the vari-

# FIDELITY TRUST COMPANY

of New York

THE uniting of experience and resources— with personnel unchanged— has created increased facilities better to serve our correspondent banks.

**120 BROADWAY**  
EQUITABLE BUILDING  
*In the Center of Things Financial!*  
Member Federal Reserve System  
Resources  
Over Fifty Million Dollars



ous members of the committee in connection therewith.

In a certain large bank, the method of operation is somewhat as follows. The executive loan committee is composed of certain officers of the bank—certain assistant cashiers, certain vice-presidents, and the president. An assistant cashier has the authority to check up to a certain amount, a vice-president has the authority to check up to a certain amount. The scale ratio might be somewhat as follows:

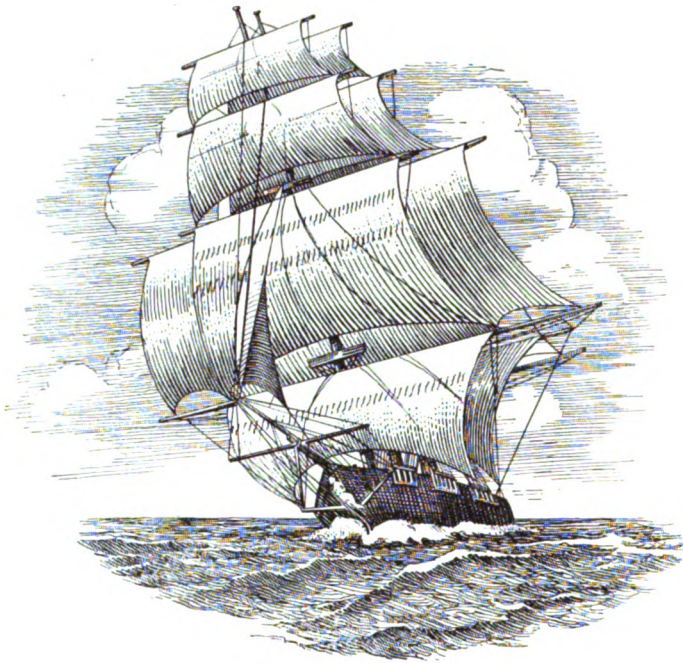
|  |           |
|--|-----------|
| An assistant cashier .....                         | \$ 10,000 |
| A vice-president .....                             | 25,000    |
| An assistant cashier and a vice-president .....    | 35,000    |
| Two vice-presidents .....                          | 50,000    |
| Three vice-presidents .....                        | 100,000   |
| Four vice-presidents .....                         | 250,000   |
| Any three vice-presidents with the president ..... | 400,000   |

Any four vice-presidents with the president and the board \$500,000 and above.

The same sort of scheme could be put into effect in your institution, only on a much smaller scale. The loan committee, it would seem, should not meet more than once a week, at which time all amounts of credit coming under its jurisdiction should be referred to it for approval, and the officers of the bank should have sufficient data to present to the meeting, together with the knowledge of the individual members to warrant a decision being arrived at. The data would be in the form of a credit file or a correspondence file, and the line approved ticket should perhaps be held by the secretary of the executive loan committee.

## Unsecured Advances

THE *London Bankers Magazine*, for February 1926, contains an account of an incident, which it says is not without foundation in fact, which may be useful to bankers when dealing with the type of customers who so readily take offense at the mere mention of the word "security." Mr. B., a customer who maintained a deposit balance running into four figures, had occasion to require a substantial loan. Approaching the manager with his requirements, he produced a list of the securities available as collateral for the loan. The list, however, was waved aside, and the manager assured the customer that he was welcome to the loan without security at any time. Much to the manager's perplexity, the announcement was not received with the enthusiasm usually associated with such occasions. In course of time the loan was repaid, but almost simultaneously a request reached the banker to transfer the account to another bank. "I thank you for allowing me a loan without security," wrote Mr. B., "but after careful consideration, I do not feel justified in leaving my money on deposit with a bank which does not insist upon security when lending its depositors' money to other customers."



ORIGINAL CHARTER 1828

## A Leading New England Bank

We endeavor constantly to imbue further our every transaction with the traditional cordiality which has existed so strongly between this bank and its correspondents and clients for nearly a century.

Corporations, executives, and individuals must have a dependable banking connection for their domestic and foreign business. The Atlantic National Bank of Boston goes one step further and incorporates into the whole the true spirit of banking service.

*Total Resources Over \$125,000,000*

# THE ATLANTIC NATIONAL BANK OF BOSTON

# Banking Publicity

Special Section of The Bankers Magazine

APRIL 1926

## Getting \$1,120,483 In New Business At A Cost Of \$3087

New Business Contest Brings Chicago Bank 3439  
New Accounts In Ninety Days

By MAHLON D. MILLER

Manager New Business Department Lake Shore Trust and Savings  
Bank, Chicago, Ill.

**A** FRIENDLY competition in the Lake Shore Trust and Savings Bank family to increase its business recently provided a splendid opportunity for each employe, regardless of position, to show what could be accomplished in making new friends and obtaining new accounts for the bank. The bank's original quota was \$500,000 to be brought in in ninety days, but when this mark was passed within thirty days, the goal was increased to \$1,000,000; and when the campaign ended, the records showed that the bank had brought in \$1,120,483 in new business, totaling 3439 pieces comprising savings, commercial, bonds, safe deposit boxes, including all the departments of the bank. The average cost per account was 89 cents, and the average balance of the initial deposits was \$32.58 per account. The average amount in deposits brought in by each employe amounted to \$22,409. The total cost for the drive was \$3087.

The contest was planned, primarily, to increase the deposits of the bank, to encourage the employes to solicit the type of business which would stick, and prove profitable for the bank to handle. Every effort was made to get bona fide customers, and to get as high initial deposits as possible that

the "dollar nuisance account" be avoided.

### Plan of Campaign

The contest took the form of a bus race across the continent from coast to coast and back to Chicago. The bank's employes were divided up into seven teams, with two colonel directors, and an officer captain at the head of each team. The large map on beaver board, of the United States placed in the bank's window, showed the team standings in points or mileage; the principal cities were marked off by points in such a way that a trip across the continent brought the teams back, upon the completion of their quotas, to Chicago with a total of 50,000 points. When a team member brought in a new account it was credited to that team's mileage, and helped the bus in its position by the amount of points credited.

The bus feature of the race aroused the public interest, and those passing, daily, followed the progress of the race in the bank's window.

### Keeping Employes Interested

To keep the employes interested in the drive there was a large score board in the lobby which showed the team standings in dollars, and the total

amount brought in by the entire bank to date. Going one step further, the bank also had two blackboards for daily use in keeping scores. On one, each employe's name was written in chalk, giving the number of accounts and points brought in, on the other, the figures in points, and dollars showed the standing of the teams, and gave the grand total figures in dollars. C. Figg was chosen from among the bank's employes to keep the books on the drive with the co-operation of other members who tabulated the scores on the boards, kept the buses lined up in the windows, and the scores released in the form of "Pep Bulletins" twice each week.

The drive was inaugurated by holding a bank family dinner, at which President William

**\$1,120,483.81**  
**New Business in 90 Days**

New Customers' Business \$1,120,483.81  
Old Customers for the Bank ..... 1,249

February 15th brought us a check amounting to \$1,120,483.81 for the New Business.

The drive brought in a check amounting to the grand total of the special campaign of the entire business, including old and new, of \$1,120,483.81 to bring our year total to \$1,000,000 when we reached our first goal in 30 days.

These satisfactory results are a reflection of our aggressive growth and of the confidence we enjoy in the community.

| TEAM   | POINTS | MILEAGE | ACCOUNTS |
|--------|--------|---------|----------|
| Team A | 10,000 | 10,000  | 100      |
| Team B | 8,000  | 8,000   | 80       |
| Team C | 6,000  | 6,000   | 60       |
| Team D | 4,000  | 4,000   | 40       |
| Team E | 2,000  | 2,000   | 20       |
| Team F | 1,000  | 1,000   | 10       |
| Team G | 500    | 500     | 5        |

**LAKE SHORE TRUST & SAVINGS BANK**

Announcement run three columns wide in Chicago newspapers, giving results of new business drive of Lake Shore Trust and Savings Bank.

**ANNOUN**

*Having reached our Original Goal of \$500,000.00  
We wish to thank our Friends and depositor*

**The LAKE SHORE**

**NOV. 11th, 1925**      **SCORE BOARD**  
**FEB. 13th, 1926**      **TEAMS AND QUOTA**

| Colonels                                  | Captains       | Quota (2000) | EACH OF THESE SPACES REPRESENTS \$5,000 |
|---|----------------|--------------|---|
| S. E. Thomason                            | Wm. S. Kline   | \$72,000     | \$212,610                               |
| John B. Drake<br>Edw. F. Swift            | Q. J. Campbell | \$72,000     |   |
| Wheeler Sammons<br>B. M. Winston          | A. M. Kelley   | \$72,000     | \$200,576                               |
| Col. Rpt. R. McCormick<br>A. H. McConnell | E. J. Russell  | \$72,000     |   |
| <b>GRAND TOTAL</b>                        |                |              | <b>\$170,183</b>                        |
|   |                |              | <b>\$100,000</b> <b>\$200,000</b>       |

Reproduction of large poster placed over the entrance to the Lake Shore Trust and Savings in new business and

S. Kline outlined the purpose of the drive, and then in turn called upon each team captain to comment on what it was hoped would be accomplished. Following this Ralph Parlette, who had just returned from addressing bank group meetings in the South, made a vigorous talk on the "Marvels of Co-operation" which was well received, and keyed the employes up into proper fighting spirit. At the conclusion of the meeting details concerning solicitation were outlined by the new business department, and the contents of the rules book, and packet containing prospect introduction cards were gone into, stress being laid on the fact that the results were to come through enlisting the assistance of the depositors in bringing in the business.

*Laying Plans in Advance*

The campaign was organized well in advance, and mailing lists of all depositors with ac-

counts of over \$500 were prepared, to which letters were sent at the opening of the drive, calling upon them to sign up a special membership card which enrolled them in a team participating in the contest. About ten per cent. in returns came in, and the president brought in a six figure account as a result directly of this plan of asking aid. It afforded a splendid opportunity for the customers of long standing to show their loyalty toward the bank. Special members are today a big factor in drives of this kind; and the volume of 3439 accounts, which was an average of over 64 accounts per employe, brought in, was due, in large measure, to their hearty co-operation.

The organization drive committee of officers laid down the following rules:

1. Directors and stockholders will participate in bringing in new business, but will not receive awards or commissions.

2. Accounts of relatives are eligible for awards and commissions, but not the accounts of contestants.

3. Only new business will be counted.

**We Have For Sale On Easy Payments**

- 1. Leisure for your Later Years
- 2. College for Your Boy or Girl
- 3. A Home— all Years
- 4. A Business You Command
- 5. A Stock of Old-Fashioned Bonds
- 6. A Piece of Real Estate
- 7. A Trip to Europe or California
- 8. An Automobile
- 9. Complete New Homes/Parishades
- 10. A Low-Cost Life Insurance
- 11. Money Without Work
- 12. A Sense of Progress and Independence

Tell us what you want and We'll Tell You How to Get It

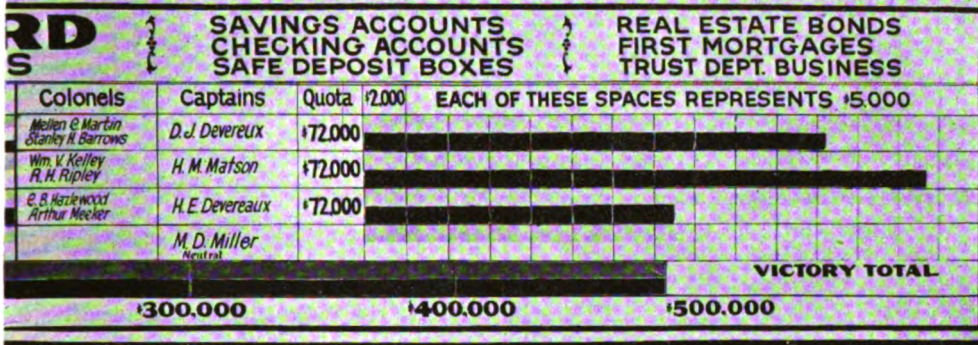
**EAST RIVER SAVINGS INSTITUTION**  
291-3-4 Broadway One Block North of City Hall

This New York savings bank has taken a leaf from the instalment seller in its approach to the savings question. The copy suggests a number of definite things which may be purchased through easy payments.

# ICEMENT

in 30 days, we have increased our Quota to 100.00% for their loyalty which has made this possible

## DRIVE A CAMPAIGN FOR \$500,000 IN NEW BUSINESS



Bank, giving results of the ninety day contest which brought in to the bank over \$1,000,000 nearly 3500 new accounts.

4. Those leaving the service during the campaign will receive commissions on business obtained, but will not be eligible to receive awards.

5. New employes entering the service after start of campaign will be eligible for awards.

6. New accounts which come into the bank in the ordinary course of business cannot be included. Only new business obtained, directly, as the result of solicitation of contestants, is eligible for awards and commissions.

7. Bulletins will be issued from time to time. All members will be advised of progress made during contest, and leaders' names will be posted on bulletin boards, also relative team standings.

It was decided that to avoid paying out bonuses on accounts closed out, that it was necessary for an account to have been on the bank's books for ninety days to be eligible for awards. This tended to encour-

age the employes to solicit bona fide accounts. Special prizes were arranged by the committee on awards covering the two teams securing the greatest number of points, the amount to be divided among the various participants on the teams. There were also individual prizes amounting to several hundred dollars, and cash bonuses were paid to the special members bringing in accounts. One special member, alone, brought in over 190 accounts.

### Cash Bonuses

Cash bonuses were awarded the employes. To discourage the small account, five one dollar savings accounts only entitled the employe to one dollar. The rest were as follows:

|                  |        |
|------------------|--------|
| \$ 5.00 to \$ 10 | \$ .50 |
| 10.01 to 25      | 1.00   |
| 25.01 to 50      | 1.25   |
| 50.01 to 100     | 1.50   |
| 100.01 to 250    | 2.00   |
| 250.01 to 500    | 3.00   |
| 500.01 to 750    | 4.00   |
| Over \$750       | 5.00   |

All Christmas Club accounts .25  
Safety deposit boxes 50 per cent.  
on first year's rental.

### New Checking Accounts

| Averaging:  | Cash bonus |
|---|------------|
| From \$100 to \$500 during the first two months     | \$ 2       |
| From \$501 to \$1,000 during the first two months   | 4          |
| From \$1,001 to \$2,000 during the first two months | 6          |
| From \$2,001 and up                                 | 10         |
| Real estate mortgages—One half of 1 per cent.       |            |

Time Certificates—For time certificates of deposit amounting to \$1000 or more, if left for 90 days, one quarter of 1 per cent.

The drive committee found that the above bonuses were not unreasonable, considering the fact that 3439 pieces of business were brought in, and some excellent individual effort put forth. By way of illustrating the individual results a few figures will be given:

### Winner Brought in over 400 Accounts

It took 406 new accounts to win the prize for the most accounts brought in. It took more than 21,885 points to win



**Income Tax Information**

WITH the passage of the latest federal tax legislation, you will find it essential to check up on the comparative yield from your investments. The comparison of taxable and non-taxable securities is one of the factors involved. We have prepared a simple chart that will give you tax information at a glance. Write or call for a copy.

*The*  
**FIRST NATIONAL CORPORATION of BOSTON**

100 BROADWAY, NEW YORK

BOSTON • PHILADELPHIA • BALTIMORE • CLEVELAND • DETROIT • CHICAGO

A well presented offer of income tax information, published upon the passage of the recent Federal income tax legislation.

the point prize. In deposits the president set the pace with \$150,389 to his credit. The other officers' average was also high, none bringing in less than five figure balance totals for the drive; and several savings accounts in four figures were brought in, in addition to a heavy sale of bonds, certificates of deposit and mortgages.

The organization was 100 per cent. in production; that is, everyone brought in something, and it was from the unsuspected quarters that the results were most gratifying. For example the elevator man brought in sixty-one accounts,

the engineer, five; the janitor, twenty; and the floor officers together a total of 598 accounts. One of them was new, never having participated in a drive or sold anything before, yet he brought in 261 accounts. Again, there was a group of sixteen girls who brought in 669 accounts; and one of them, the telephone operator, thirty-nine accounts. This would indicate that banks might do well to encourage their feminine employes to greater efforts, for experience in bank drives indicates that they can bring in the business. The manager of the women's department

brought in, alone, 222 accounts, which were not included in the group above mentioned, and secured deposits of \$32,620 during the drive.

*Contest a Well Rounded One*

It is generally believed that the tellers have a great advantage and usually bring in the greatest amount of business, yet it can be said, that, while they did very well in the drive, it took a well rounded effort, on the part of all, to make the quota. The tellers, and those in contact with the public behind the counters, brought in 1060 accounts which was a little over one-third of the total in new accounts brought in, which was creditable; but the analysis would indicate that it is possible to get production in all the departments, and that, in the long run, it is the hustlers that produce the best results.

In the safe deposit campaign which was a part of the drive, letters were sent out to those commercial depositors not having boxes, and the contest produced 176 box rentals in the ninety days set for the drive.

The humanly illustrated "Contest Bulletins" helped to keep up the interest in the campaign. People in general like to see their names in print, bank employes are no excep-

**A Woman's Will**

It is just as important for a woman to make a will as it is for a man. In some cases it is even more important. Consult this trust company about your estate and the choice of an executor.

**FULTON TRUST COMPANY**  
OF NEW YORK  
149 Broadway  
Established 1890  
Member Federal Reserve System

Banks are finding that it is well worth their while to address an occasional advertisement direct to women. The above trust advertisement has been very skillfully captioned, and every word in the copy has been made to count.

tion, and properly constructed bulletins, issued promptly at stated periods, proved a necessary element in the success of the campaign. The semi-humorous bulletin playing up Nellie and George touched the spark that created interest in everyone including the officers. As far as possible effort was made to play up the teams against each other for position in the bus race track in the window, and the dollars posted in the bank's lobby.

*Numerous Meetings Held*

Numerous general meetings were held by the entire bank, and individual group meetings, as often as possible by the officers, did much to instruct the employes how to go after accounts. Leads were furnished, and the new business department acted as a general aid de camp for all officers and employes who had prospects that required immediate attention, but which they could not reach, due to the pressure of their work. Letters by way of follow up were sent out, and the directors furnished leads which resulted in some excellent five and six figure balances which helped put the contest over. Many large accounts which had been thought of by the bank and its directors as possible prospects, came in, due to the close co-operation of the directors with the officers of the different teams, and the new business department.

On one occasion a local tailor came into the bank who did not look, at the time, worth a dime, who walked into the president's office and before he left, was persuaded to buy \$10,000 worth of bonds. So much for appearances! In a drive of this kind one can never tell. Another party approached a teller's window, was engaged in conversation, given an introduction card, and walked

*The Revenue Act of 1926*



OUR booklet on the new Federal Tax Law is now ready for general distribution. The law affects individuals, corporations, and partnerships.

The booklet contains the full text of the income tax, estate tax, and other provisions of the law, with explanatory summaries and digests showing the new rates of taxation and changes from the former law.

Copies of this booklet are available to business executives on request at any of our offices.

**Guaranty Trust Company of New York**

HEAD OFFICE  
140 Broadway

FIFTH AVENUE OFFICE  
Fifth Ave. and 44th St.

MADISON AVENUE OFFICE  
Madison Ave. and 60th St.

Another bank advertisement offering income tax information, and published following the passage of the new federal income tax law.

out. The next day he came in and opened a \$10,000 account. The employes who put themselves out to reach all the prospects possible were benefited by the law of averages, and produced some handsome business, bringing in total individual deposits for the ninety day drive well up into five figures.

*Cost of Contest*

How much did the drive cost? The answer is that the total expenditures were \$3087 and were made up as follows:

|                                |           |
|--------------------------------|-----------|
| Safety deposit vault campaign  | \$ 245.00 |
| Pep bulletins                  | 300.00    |
| Automobile and lobby boards    | 74.72     |
| Printing booklets etc., cards, | 346.82    |
| Score keeping records          | 39.00     |
| Lobby signs, windows           | 48.52     |
| Stationery                     | 100.00    |
| Buttons for employes           | 15.00     |
| Florist expenses               | 15.00     |
| Lettering boards in lobby      | 16.70     |

|                       |                  |
|-----------------------|------------------|
| Miscellaneous         | 103.87           |
| Bonuses paid employes | 1749.99          |
| Letters sent out      | 33.25            |
| <b>Total</b>          | <b>\$3087.87</b> |

When the cost per \$100 of new business was figured, it was found to be only 34 cents. The following percentage table gives one an apportionment of expenditures involved in the drive:

| Drive Expense in Percentages |           |
|------------------------------|-----------|
| Items of expense             | Per cent  |
| Bonuses                      | 51        |
| Stationery                   | 03        |
| Printing                     | 11        |
| Window displays              | 01        |
| Lobby displays               | 02        |
| Safety vault letters and     | 07        |
| Follow up material           | 03        |
| Pep bulletins                | 11        |
| Miscellaneous                | 11        |
|                              | <hr/> 100 |

*Drive Received Wide Publicity*

The successful completion of the drive created much favorable comment, and local news-

## Know Your City

Whether you walk or ride—

# BYWAYS *and* BOULEVARDS

*In and about*  
HISTORIC PHILADELPHIA

A BOOK BY  
FRANCIS BURKE BRANDT  
and  
HENRY VOLKMAR GUMMERE

300 Illustrations

For all ages  
For all kinds of people  
For reading, reference and remem-  
brance  
For a guide to places of interest  
through the eyes of history  
For a pleasant gift at all times

*For Sale at all good Bookshops*

Copyrighted and published by

 **CORN EXCHANGE NATIONAL BANK**  
PHILADELPHIA

Main Office  
CHESTNUT AND SECOND

Central City Office  
1515 CHESTNUT STREET

The Corn Exchange National Bank of Philadelphia recently undertook the public spirited enterprise of publishing an unusually well printed and handsomely illustrated book about its historic city. A number of these books were distributed among customers of the bank, and the remainder placed on sale in Philadelphia bookstores and advertised in the newspapers as shown above.

papers, and other periodicals took up the reports of the progress of the contest, and gave some helpful publicity. The results of the contest were further posted in the bank's lobby, the depositors written to to express the bank's appreciation for their assistance and cordial attitude, a newspaper advertisement announcing the results and a large announcement poster, hung up over the bank's door for a few days, let everyone know that the Lake

Shore bank "Million Dollar Drive" had gone over the top.

## How Banks Are Advertising

THE Albert Frank & Co. financial advertising agency has published in book form the "Analysis of the Savings Market," an address delivered by W. Frank McClure, vice-president of the company, be-

fore the Tenth Annual Convention of the Financial Advertisers' Association at Columbus, Ohio, last fall.

A NUMBER of pamphlets published by the National Service Committee, London, England, which have recently been received by the editor Banking Publicity Department, include the following: "The National Savings Movement," a brief account of the aims and achievements of the National Savings Committee which was established in London in 1916 and which is composed of a voluntary membership representing wide interests in English banking, government, educational and business circles; "Functions of a Local Savings Committee," an outline of the field of activity covered by such a committee as an auxiliary to the National Savings Committee; "Savings Certificates," a description of the National Savings certificate which is a government security and is guaranteed by the British Government, both as regards capital and interest; "Everybody's Investment," descriptive of the National Savings Certificates; "What Do You Want to Be?," a book of counsel to children regarding savings; "The National Savings Movement in Schools," a description of the manner in which this movement functions in the English secondary schools; "Saving in Secondary Schools," a talk to pupils and teachers on savings; "Saving and Unemployment" by Hartley Withers, pointing out the value of systematic saving as a remedy for unemployment; "Saving for Civil Life," a pamphlet addressed to the veterans of the world war; "What Are Your Chances in Life?" and "Savings Associations," a pamphlet descriptive of what



Advertisements in the form of the above reproduced group of a Milwaukee bank were run single column width, six at a time and each on a different page, in preferred newspaper positions on the theory that the repetition value of thus presenting them would make the procedure worth while.

these associations are and how they are formed.

The National Savings Certificate, which is sponsored by the National Savings Committee, has become an unusually popular means of saving in England. Since 1916 practically \$722,000,000 savings certificates have been sold, representing a cash investment of about \$2,800,000,000. The price of the saving certificate is 16s., bringing it within reach of the great mass of savers. During the ten years of its life the certificate grows to the value of 24s. The investment is guaranteed by the Government, is free of income tax and the money invested can be drawn at short notice with interest due. Some idea of the growth of savings associations operating in co-operation with the National Savings Committee may be shown from the fact that by the end of March 1925, there were well over 20,000 of such associations, with new associations being formed at an average rate of over 250 per month. The National Savings Committee supplies publicity material to the local savings associations without cost for distribution in the respective areas covered by these associations.

“ARE Safes Easily Opened?” is the title of a folder published in colors by the Portland Trust Com-

pany of Portland, Connecticut, on the advantages of the safe deposit box.

“THE Proper Disposition of Real Estate” is the title of a folder published by the Chase National Bank of New York and treating with the importance of drawing a will in such a way as to assure the proper distribution of property. This folder is published in behalf of “Solving the

Problems that Confront Your Estate” a working memorandum book which the bank publishes which is designed to aid persons making a will in planning for a final distribution of their property.

THE Stock Yards National Bank of Chicago published a statement folder which is printed in unusually inviting form. The folder includes a

(Continued on page 597)

! NU ÄR JULEN ÖARSSKIFTET

KAPITALSAMLINGSRÄKNING. SVENSKA HANDELSBANKEN

A striking departure from the formless and uninviting layout which too often characterizes the advertisements of banks outside the United States is given in the above reproduction of a holiday savings poster, used by one of Sweden's largest banks. Modern advertising ideas have been applied to the layout of this poster, which was printed in red and green. The copy starts out: "Now until Christmas and New Year's is the time to open a savings account for yours or the children's sake." The table included in the advertisement follows the style of that used by American banks, and shows how much it is necessary to save each month, starting at various ages, in order to accumulate certain fixed amounts at the age of sixty-five.

## Banking Publicity

RICHARD F. DURHAM, Editor

Monthly Publicity Section

THE BANKERS MAGAZINE

71-73 Murray St., New York

APRIL 1926

**B**ANKS which are contemplating new business campaigns can well take a leaf from the experience of other institutions in enlisting the active support of depositors as well as officers and employes. In the recently concluded new business drive of the Lake Shore Trust and Savings Bank of Chicago, described in an article in this number of **BANKING PUBLICITY**, the institution's depositors played an important role in the results obtained.

In making its plans for the campaign, the bank prepared mailing lists of all depositors with accounts of over \$500, and sent letters to these depositors at the opening of the drive, calling upon them to sign a special membership card which enrolled them in a team participating in the contest. About 10 per cent. of those addressed responded, and through their efforts alone the bank brought in a large volume of worth while business.



**T**HE principles of modern merchandising applied to the development of savings business are

proving their value to banks in every section of the country which are adopting such methods. The prospective saver is approached from the angle of "spending" regular fixed amounts in order to "buy" some specific thing or object of his desire, whether it be a piece of property, a trip to Europe, a life insurance policy, a bond or a piece of real estate. The depositor's attention is kept fixed on the ultimate objective rather than on the periodic payments necessary to attain it.



**A**N Ohio Trust Company has recently adopted the experiment of taking advertising space on the back of local theater tickets. On the top of the ticket is the following copy "Good for \$1.00, inquire at the ..... Trust Company." On the main portion of the ticket is the statement "The stub of this ticket is good for \$1.00 if applied on a new savings account at the ..... Trust Company. Good for thirty days from date."

The holder of the ticket will of course very often part with this ticket before noticing the advertising copy on the back of it, but he retains the stub and before throwing it away is apt to see the copy on the back of it stating that it is good for \$1.00 at the ..... Trust Company, even though he has failed to see the ad-

vertising on the back of the ticket. This copy on the stub will frequently pique his curiosity to the extent that he will go by the bank to find out through what means he can make the stub worth \$1.00 to him.



**B**ANK window displays are more and more proving their usefulness as a means of attracting the eye of passers by and directing their attention to services which the bank has to offer. In like manner lobby displays can have a practical value in reminding those who come inside the bank's doors of the various services which are available.

The customer or prospective customer who is once inside the bank's lobby is obviously in a more receptive frame of mind to receive impressions conveyed by posters and placards which advertise the bank's services than is the casual passer by. With very little expenditure of either time or money a bank can prepare copy in poster or placard form which will be appropriate for use in its lobby, which will prove useful in augmenting the bank's publicity efforts in other directions, and which will tell customers and prospective customers about the bank's services at the actual point of contact between them and the bank.

## How Banks Are Advertising

(Continued from page 595)

number of brief paragraphs descriptive of the various services of the bank and is printed on pebbled paper in large readable type.



**G**REENEBAUM Sons Investment Company of Chicago, affiliated with Greenbaum Sons Bank and Trust Company, Chicago's oldest bank, publishes a very interesting and well presented booklet on first mortgage real estate bonds, printed in an attractive color combination and entitled "Investor's Guide." The bank accompanies this booklet with a letter explaining its purpose and suggesting how the booklet may be put to best use by investors.



**T**HE Merchants Bank and Trust Company of Jackson, Mississippi, publishes a combination statement folder entitled "Industrial Jackson." This folder is the third of a series published by the bank to impress the citizens of its own community and the citizens of other states and cities with the advantages which Jackson offers. The folder reproduces a number of photographs of various industrial plants in Jackson and includes a view of the business district of the city.



**T**HE Liberty Trust and Savings Bank, Chicago, has recently published a booklet on the first mortgage gold bonds issued by the bank, presenting the advantages of these bonds in a very effective manner. A good deal of care has been paid to matters of typographical layout and illustrations in the make-up of the booklet. The bank sends out

## Who's Who in Bank Advertising



CHARLES S. ANDERSON

Assistant cashier Ohio National Bank, Columbus, Ohio

**M**R. ANDERSON has been with the Ohio National Bank since 1911, having previously handled the bank's advertising and that of a dozen other concerns at his own office for two years. He learned the printer's trade early in life, gradually turning his attention to advertising. He was for several years editor of "The Advertising World," one of the pioneer advertising journals. The human interest newspaper copy which Mr. Anderson writes for his bank has attracted wide attention. He has his desk placed in the center of the bank's lobby in order to be as accessible as possible to customers. Mr. Anderson enrolled as a member of the Financial Advertisers' Association prior to its first convention in Philadelphia eleven years ago, and has attended most of its meetings since that time. As a member of the Speakers' Bureau of the Associated Advertising Clubs of the World, and that of his local Chamber of Commerce, Mr. Anderson has appeared before clubs and civic organizations in some forty communities with talks on advertising, banking, community building, etc.



An exhibit of some of the recent and very good newspaper advertising of the Home Savings

with the booklet the following letter:

To Our Investors:

Just how valuable the enclosed booklet proves to be, depends entirely on you. If you give heed to it, in the course

of a year you can easily add a good many dollars to your income. It points the way to the safe and profitable investment of your January 1926 surplus funds.

In this booklet is illustrated and described what we believe to be the most attractive list of first

mortgage investments it has ever in our good fortune to offer. All of these issues are strongly secured by income producing properties in good locations, and are protected by safeguards which have resulted in our record of "Never a Loss to a Liberty Investor."

By purchasing these bonds you insure the safety of your funds from the day you make your investment until the last dollar of principal and interest is paid in full. Equally important is the fact that you make your money earn more.

As the demand for these bonds is sure to be heavy, we suggest that you call at the bank immediately and make your purchases or reservations. In this way, you make certain of obtaining just what you want. If your funds are not now available, we will gladly hold the bonds you select for delivery at a later date.

For your convenience, we are open all days Mondays, and Saturdays until 8 o'clock. If it is impossible for you to come to the bank, we will gladly send our representative to see you. But in any event, we hope to have the pleasure of serving you this January.

Sincerely yours,  
Asst. Cash. & Mgr.  
Bond Dept.

MR:BT



"Built For Service"

### Our Advertising Department Consists of Thirty Thousand People

We recently made announcement of the fact that the American Exchange National Bank has more than thirty-five thousand deposit accounts. Allowing for duplicates arising from those instances where a customer has more than one account, we make the conservative estimate that at least thirty thousand individuals are depositing with us.

It is our constant endeavor to so serve our people that every customer is an advertisement for us. And so it has happened. Each year the cumulative effect of this greatest of all advertising is noted. In no other way could we add from five to ten thousand new accounts to our ledgers each year.

We are very grateful to our "advertising force"—and we are proud of them. It is our intention to keep abreast of the most modern methods in banking, that our patrons may continue to repeat with us our slogan, "Built for Service."

## AMERICAN EXCHANGE NATIONAL BANK

Branches At

Greensboro National and South Greensboro

#### Tar Heel Facts

MANUFACTURING: North Carolina has also hundred million dollars invested in manufacturing establishments. Has a total of 6,300 factories, employing one hundred and fifty-eight thousand workers.

An ingeniously phrased good will advertisement of a Greensboro, N. C. bank

WITH Christmas Money Clubs in as general use as they are at the present time, it has been a problem for banks to get distinctive advertising methods which would advertise their own particular club.



Bank of Boston, prepared under the supervision of the bank's president, Carl M. Spencer.

This year the Union Trust Company, Cleveland, conceived the idea of presenting the Christmas Money Club to prospects in the actual form of a club. It was in reality a paper folder about 14 inches long and 8 inches wide when opened—but when closed it was die-cut and colored in such a way as to look exactly like a big stick of wood. It bore the words "The Club with a Wallop," and on the back, "I Knock the Hard Spots Out of Christmas." The inside contained detailed selling facts.

The club was used as a house to house medium, and was placed between the door knob and the door-jamb where it could not be overlooked. Some distribution was also done in down-town office buildings.

These paper clubs aroused a great deal of interest among the children. Some distributors reported that the small boys followed them down the street to get as many copies as they could. One woman brought her small boy into the bank and said he was heart-broken because he did not have a club "like all the rest of the kids had."

This single piece of distributed literature was the only

advertising used by the Union Trust Company for the 1926 Christmas Money Club, and the club has shown a very healthy increase over last year.

THE Plainfield Trust Company of Plainfield, New Jersey, publishes a folder entitled "Every Plainfield Man and Woman." The copy con-

**Sun** **SPORTING FINAL**  
★★★★★

---

**GUNMEN GET \$18,000 PAYROLL IN ELEVENTH AVENUE HOLDUP**

**Six Calvary Stick Up Superintendent of Ad Company and Grab Cash Just Brought From Bank.**

---

**A** PAY check account with the Corn Exchange Bank would have prevented the above. Paying by check does away with the risk attendant on carrying payrolls through the streets and distributing them in your office. A pay check account with us enables your employees to cash their checks at all of our branches, where the pay check window is open from 9 to 5 and Saturdays from 9 to 2.

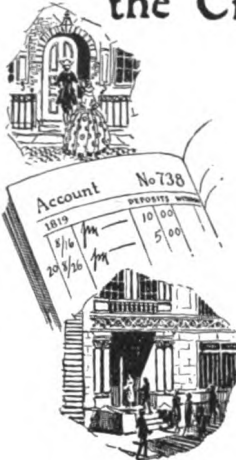
Employers who are interested are invited to discuss the matter with our officers or with the manager of the branch convenient to their place of business.

**THE CORN EXCHANGE BANK**  
NEW YORK

"Scare" copy run in the interest of a New York bank's so-called pay check account



# The Oldest Account in the Oldest Savings Bank in the City of New York



**B**EGAN 106 years ago—  
There could be no better proof  
of the solidity and responsibility of the  
Bank for Savings than Account No. 738.  
Nor could there be any better proof  
of the ability of money to earn money  
when deposited in a Savings Bank.

### Account No. 738

| Deposits                                      |         |
|---|---------|
| August 16, 1819                               | \$10.00 |
| August 26, 1820                               | 5.00    |
| Total   | \$15.00 |
| Interest credited<br>to date ..... \$2,377.45 |         |
| <b>This Account is Still Open</b>             |         |

**T**HE BANK for SAVINGS is exceedingly  
proud of its Account No. 738—the old-  
est account in the oldest Savings Bank in  
the City of New York.

But it directs your attention to this account  
not so much to emphasize the stability of  
the Bank for Savings as to point out the  
power of your savings to earn money while  
you are saving—and with absolute security,  
with absolute certainty.

The habit of saving is easily acquired. It is  
like a game—interesting, fascinating—the  
more you play it the easier it becomes.

And all the time—just as with Account  
No. 738—your savings are earning money,  
every day, every month, every year. They  
stand as an ever-strengthening bulwark,  
protecting your health, your business, your  
peace of mind, your happiness.

Why not open your account in the Bank  
for Savings today?

**The BANK FOR SAVINGS**  
par value, surplus and undivided profits \$24,860,000.00  
280 Fourth Avenue, S. W. Corner of 22nd Street  
**106 YEARS OF CONSTANT GROWTH**

A very appropriately presented advertisement of New York's  
oldest savings bank, published on the occasion of the bank's  
106th anniversary.

tained in the folder has to do  
with the matter of making a  
will and emphasizes the quali-  
fications of the company as  
administrator of estates.

**“SAFETY and Service,”**  
monthly pocket size house  
organ of the Dairyman's Coast

Bank of Valley Ford, Califor-  
nia, offers a consistently good  
example of practical customer  
co-operation and helpfulness  
This bank, located in a com-  
munity where dairying and  
agriculture are the chief in-  
dustries, never fails to have  
in its monthly magazine a num-  
ber of timely and helpful items

relating to these industries  
which are presented in a very  
readable style.

**“I** NVESTMENT Turnover,  
Its Use and Abuse” is the  
title of a well prepared four  
page investment folder pub-  
lished by Morris F. Fox and  
Company, investment bankers  
of Milwaukee, Wisconsin. The  
folder includes a chart showing  
rotation of maturities to fit in-  
dividual investment needs.

**“T** HE Co-Operator,” month-  
ly four page house organ  
of the Marine Trust Company  
of Buffalo, N. Y., published in  
two colors and edited by the  
bank's employes has a very  
presentable layout and contains  
numerous items of interest  
about what the bank and its  
officers and employes are do-  
ing.

**T** HE City National Bank  
and the City Trust and Sav-  
ings Bank, affiliated institutions  
of Dayton, Ohio, publish a four  
page monthly house organ for  
employes which includes inter-  
esting reading matter regard-  
ing activities and progress of  
the two institutions, and items  
of interest regarding the offi-  
cers and employes.

## BANK ADVERTISING EXCHANGE

IN connection with BANKING PUBLICITY there is conducted a Bank  
Advertising Exchange, containing a list of names of bank advertisers willing to ex-  
change advertisements, booklets and other publicity matter issued by them. Any  
subscriber who will agree to exchange advertising matter may be added to this list  
A copy of this list may be had by any subscriber upon application.

# Banking and Financial Notes

SPECIAL

**THE BANKERS  
MAGAZINE**

[SECTION

## International Securities Trust

OF AMERICA

A MASSACHUSETTS TRUST

*First among American Investment Trusts*

**Resources over \$10,000,000**

### A Double-Edged Investment Policy

“Well Invested is better than Well Earned,” is a maxim only applicable when the investor realizes clearly that what is well invested today may be in jeopardy tomorrow.

The International Securities Trust of America, like long established London Investment Trusts, pursues a double-edged investment policy,—Buying sound securities at favorable prices, and Liquidating if and when a Profit is to be realized or a Loss avoided in the process of reinvestment.

The more than 500 different investments owned by the Trust are continually supervised on the principle that “Eternal Vigilance is the Price of Safety.”

*Send for Booklet BM-1  
entitled*

**“The Investment Trust, The Culmination of  
Investment Service.”**

## American Founders Trust

A MASSACHUSETTS TRUST

FISCAL AGENT

First National Bldg.  
Boston

50 Pine Street  
New York

Organized 1890

# The State Bank

12 Branches in Greater New York

*Member of the New York Clearing House Association*

Condensed Statement of the report to the Superintendent of  
Banks of The State of New York as of the close of business  
March 25, 1926

## *Resources*

|  |                  |
|--|------------------|
| Loans and Discounts .....                                  | \$ 73,964,560.57 |
| United States and Municipal Bonds .....                    | 8,465,570.74     |
| Short Term Securities .....                                | 13,080,101.73    |
| Bonds and Other Securities .....                           | 10,672,899.57    |
| Banking Houses .....                                       | 1,796,570.25     |
| Cash and Exchanges .....                                   | 10,284,009.70    |
| Customers' Liability, Account of<br>Acceptances, etc. .... | 3,091,285.00     |
|  | <hr/>            |
|  | \$121,304,997.56 |

## *Liabilities*

|  |                  |
|--|------------------|
| Capital Stock .....                            | \$ 5,000,000.00  |
| Surplus and Undivided Profits .....            | 5,324,912.33     |
| Reserved for Taxes and Contingencies .....     | 501,951.09       |
| Quarterly Dividend Payable April 1, 1926 ..... | 200,000.00       |
| Due Depositors .....                           | 107,248,169.34   |
| Acceptances, Letters of Credit, etc. ....      | 3,029,964.80     |
|  | <hr/>            |
|  | \$121,304,997.56 |

## *A Comparison of Progress*

| March      | Capital, Surplus &<br>Undivided Profits | Deposits        |
|------------|---|-----------------|
| 1923 ..... | \$ 7,250,041.24                         | \$87,137,576.01 |
| 1924 ..... | 8,161,458.81                            | 95,667,239.91   |
| 1925 ..... | 8,896,089.84                            | 101,235,309.59  |
| 1926 ..... | 10,324,912.33                           | 107,248,169.34  |

HAROLD C. RICHARD, *President*

### *Vice-Presidents*

|                   |                 |
|-------------------|-----------------|
| JOHN KNEISEL      | WILLIAM B. ROTH |
| CHARLES A. SMITH  | HARRY W. VOGEL  |
| THOMAS M. SHERMAN |                 |

# Banking and Financial Notes

SPECIAL

**BANKERS  
MAGAZINE**

SECTION

## Eastern States

*Comprising New York, New Jersey, Pennsylvania, and Delaware.*

### CONVENTION DATES

National Safe Deposit Convention—at New York, N. Y., May 7-8.

Maryland Bankers Association—at Atlantic City, N. J., May 12-13.

New Jersey Bankers Association—at Atlantic City, N. J., May 13-15.

National Association of Credit Men—at New York, N. Y., May 24-27.

Pennsylvania Bankers Association—at Atlantic City, N. J., May 26-28.

New York State Bankers Association—at Quebec, Canada, June 21-23.

Delaware Bankers Association—at Rehoboth, September 2.

National Association of Mutual Savings Banks—at Philadelphia, Pa., October 18-22.

### COUNTY TRUST COMPANY OPENS

Governor Smith of New York made the first deposit in the new County Trust Company, New York, at its recent opening ceremonies. The bank, which is headed by James J. Riordan, a lifelong friend of the Governor, originally proposed to incorporate as the New York County Trust Company, but so much objection was raised to this name by the New York Trust Company that the new bank agreed to abandon that name.

The bank is located at 82 Eighth avenue, New York, a neighborhood which, according to Mr. Riordan, has been without a bank of its own, except for branches of larger institutions, for some time. The beef and poultry dealers of the section desired a local bank, and it was to fill this need that the County Trust Company was organized.

The new bank was organized with a capi-

tal of \$1,000,000 and surplus of \$500,000. Deposits on the opening day amounted to about \$1,400,000. In addition to Mr. Riordan as president, the other officers of the bank are: John J. Broderick, treasurer;



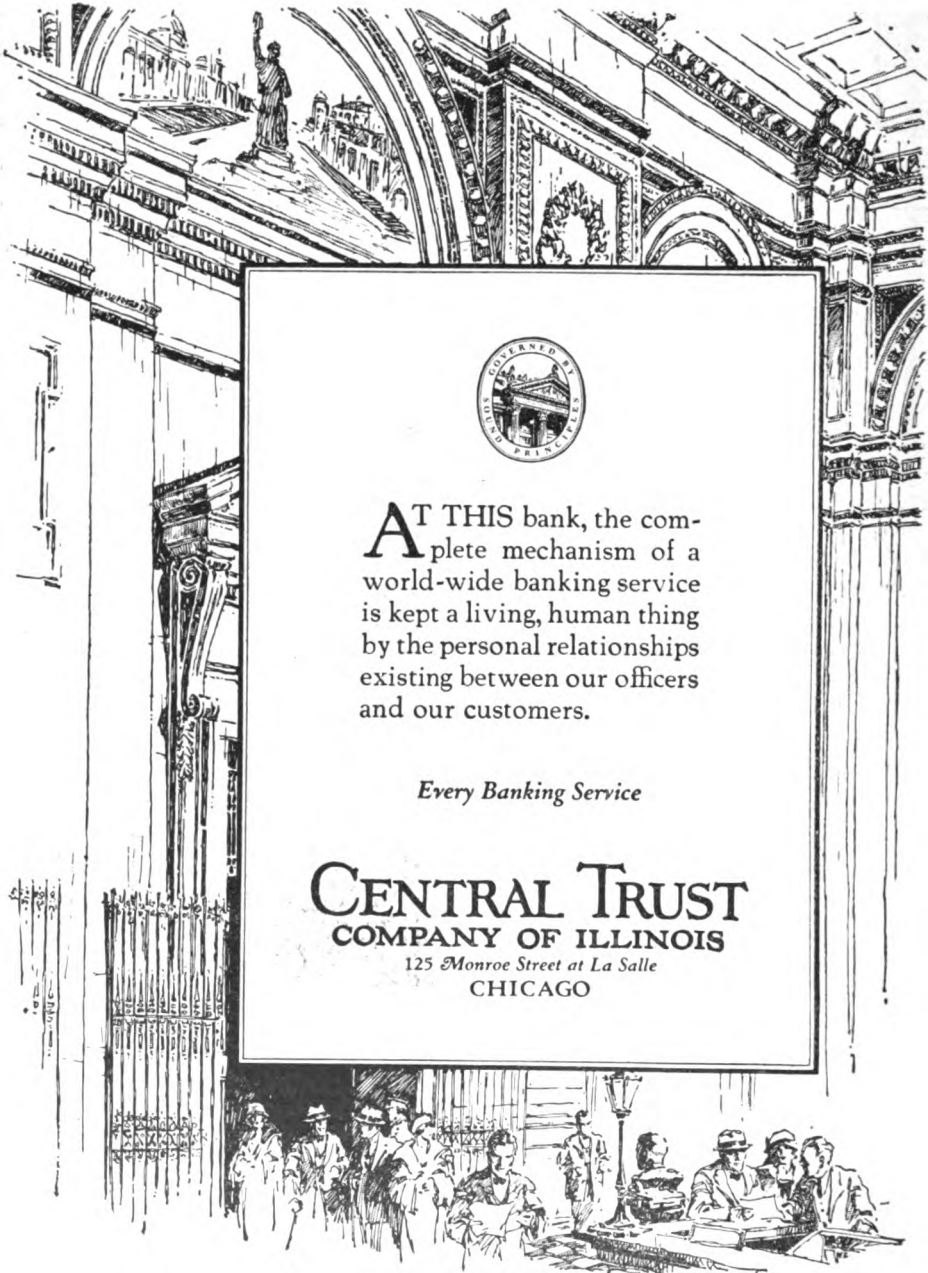
**JAMES J. RIORDAN**

President of the recently opened County Trust Company, New York

Vincent B. Miner, assistant treasurer; and Clinton B. Fowler, assistant secretary. Vincent Astor heads the list of the board of directors, which also includes William H. Woodin, Herbert Lehman, and William H. English.

### CHASE-MECHANICS AND METALS MERGER RATIFIED

The merger of the Chase National Bank, New York, with the Mechanics and Metals National Bank, New York, as the Chase



AT THIS bank, the complete mechanism of a world-wide banking service is kept a living, human thing by the personal relationships existing between our officers and our customers.

*Every Banking Service*

# CENTRAL TRUST COMPANY OF ILLINOIS

125 Monroe Street at La Salle  
CHICAGO

# Kings County Trust Company

City of New York, Borough of Brooklyn

Capital \$500,000 Surplus \$4,000,000 Undivided Profits \$794,000

**JULIAN P. FAIRCHILD, President**

**JULIAN D. FAIRCHILD, Vice-President**  
**WILLIAM J. WASON, JR., Vice-President**  
**HOWARD D. JOOST, Vice-President**  
**J. NORMAN CARPENTER, Vice-President**

**THOMAS BLAKE, Secretary**  
**ALBERT I. TABOR, Assistant Secretary**  
**CLARENCE E. TOBIAS, Assistant Secretary**  
**ALBERT E. ECKERSON Auditor**

**ACCOUNTS INVITED**

**INTEREST ALLOWED ON DEPOSITS**

National Bank, New York, the details of which were reported in these columns last month was ratified by the stockholders of both banks at meetings held March 18. The actual merger of the two banks will take place April 12. At that time, one branch will be eliminated, that of the Chase National at Forty-first street and Madison avenue, which will be moved to the Mechanics and Metals branch across the street. Later, the Mechanics and Metals branch at Sixtieth street and Madison avenue will be transferred to the quarters of the Chase National at Sixtieth street and Park avenue.

## I. A. B. FORMS TRUST COMPANY

The International Acceptance Bank, Inc., New York, has organized a trust company, the International Acceptance Securities and Trust Company, New York, to render banking and trust services supplementary to but outside the scope of the activities of the International Acceptance Bank itself. It will also deal in investment securities.

## FIDELITY TRUST COMPANY OPENS NEW MAIN OFFICE

The new Fidelity Trust Company, New York, formed by the consolidation of the old Coal and Iron National Bank with the Fidelity - International Trust Company, opened its new main office in the Equitable building on March 29. The new quarters have been almost completely remodeled and equipped, and this change gives the central office a more central location than before. The bank has four additional offices.

The first published statement of the new bank, as of March 25, showed deposits of \$46,138,265, time loans and bills purchased of \$16,946,594, cash on hand of \$12,092,833,



The new main office of the Fidelity Trust Company, New York, in the Equitable building

and combined capital surplus and undivided profits of \$7,174,492. Total resources amount to \$54,872,744.

The Fidelity Trust Company began business under that name in May 1907. The Coal and Iron National Bank was originated on April 11, 1904.

Samuel S. Conover is president of the Fidelity Trust Company and John T. Sproull is chairman of the executive committee. Vice-presidents are Allison Dodd, William H. Jaquith, Andrew H. Mars, Edward E. Moberly, H. A. Miskimin, Charles F. Park, Jr., John M. Ross and Arthur W. Mellen, who is also secretary. Harold C. Knapp is trust officer.



**Why**  
*leading bankers everywhere  
 are supplying their depositors  
 with these safer, more  
 beautiful checks*



*Why most banks  
 supply colored  
 checks*

The sensitive nature of safety checks, great alterations at the job will be visible and faded checks are not good. To the credit of leading Super-Safety checks there is a complete set of instructions for your bank account. And this cover another important purpose: these checks lend distinction to your signature.

This advertisement is the second of a series of pages in two colors in *The Saturday Evening Post* and black and white adaptations in *The Literary Digest*.

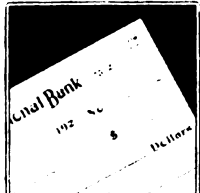
All the signs of the age are making the check more important than ever. It is the key to the success of the business man. It is the key to the success of the bank. It is the key to the success of the nation. It is the key to the success of the world. It is the key to the success of the future.

Super-Safety Checks are made on the finest quality of paper. They are made in the most modern and most complete check-making plant in the world. They are made in the most complete check-making plant in the world. They are made in the most complete check-making plant in the world.

your banker is well placed, because you will see that he is taking every precaution to safeguard your funds against loss as well as fraud.

**Check the great advantages**

1. **Color** - The color of the check is a sure sign of its quality. It is the key to the success of the business man. It is the key to the success of the bank. It is the key to the success of the nation. It is the key to the success of the world. It is the key to the success of the future.



**Send for sample test-check and booklet**

Test for yourself the power of Super-Safety checks by general circulation. Send for a sample check with instructions for testing it. Also our new booklet written by a national authority on bank accounts, "How to Get Most for Your Money." Bankers Supply Company, Division of The Todd Company, sole manufacturers of Super-Safety Checks, Todd Greenback Checks, and the Protectograph. Chicago, Illinois, New York, Denver.

# Your depositors will appreciate your giving them this modern "service of protection"

The visible precautions you take to protect the funds within your bank win the confidence of your depositors as they enter the building.

Yet your depositors may not be aware that you, by supplying them with Super-Safety Checks, are extending the modern "service of protection" to their checks in transit.

Your depositors will appreciate the value of this complete service you are giving them, as they read such compelling advertisements as the one shown above

which is appearing in the Saturday Evening Post and Literary Digest. And it is reasonable to suppose that other readers are opening their check-books and looking to see if the Super-Safety trademark is on the checks furnished by their bank.

When you consider how little Super-Safety Checks cost, it is surely a wise move to give your bank and its depositors the benefit of this super-check. A Super-Safety representative is at your call.

**BANKERS SUPPLY COMPANY, Division**  
**THE TODD COMPANY**  
 5951 So. State St., Chicago, Ill.

Sole Manufacturers of Super-Safety Checks, Todd Greenback Checks and the Protectograph

CHICAGO      ROCHESTER      NEW YORK      DENVER

## *Service to Banks*

Ample facilities and the experience of many years enable this Company to render intelligent, efficient service to Banks, Bankers and Trust Companies.

Inquiries are Welcomed

### UNITED STATES MORTGAGE & TRUST COMPANY

Main Office: 55 Cedar Street

**Branches:**

Broadway at 73rd Street  
125th St. at Eighth Ave.

Madison Avenue at 74th St.  
Lexington Avenue at 47th St.

New York

The new institution has capital and surplus of \$1,000,000. Its offices are located in the same building as the International Acceptance Bank, at 52 Cedar street, New York, and all the officers and directors are directly associated with the International Acceptance Bank. Paul M. Warburg, chairman of the board of the International Acceptance Bank, heads the board of the trust company; and F. Abbot Goodhue, president of the bank, is also president of the trust company.

#### HEWITT JOINS NATIONAL MORTGAGE

William R. Hewitt has been appointed manager of the National Mortgage Corporation, New York. The National Mortgage Corporation is a subsidiary of the New York Title and Mortgage Company, organized to widen the scope of the latter's business, by buying first mortgages on property in approved cities of the United States and issuing mortgage certificates against them.

Mr. Hewitt is a native of New Jersey, and comes to the National Mortgage from the real estate loan department of the

Prudential Insurance Company of America. He has been with the Prudential since 1908, working in various offices.

During the last year, the New York Title and Mortgage Company reports that there has grown up a considerable demand for title insurance outside of New York City, necessitating the building up of a state-wide organization to take care of it. This, in some measure, is responsible for the company's having had the best year in its history in 1925. So broad have been these operations that the company has felt it fitting to prepare a special review of the year for the stockholders. This has been put out as a very attractive booklet entitled "1925 A Year of Progress."

#### NEWARK'S NEW TRUST COMPANY

A new trust company has been organized in Newark—the Guardian Trust Company of New Jersey, with a capital of \$5,000,000 and surplus of \$2,500,000. It was originally proposed to incorporate with a capital of \$500,000, but before organization the size of the company was considerably increased. The directors desire to have a wide distribution of stock, and



Fifty-Nine Years of Business Prestige  
Behind the Name



## HARE & CHASE, INC.

*Automobile Finance*

ASSETS \$30,000,000



Complete Local Service  
in Sixty-Six Cities



NATIONAL HEADQUARTERS  
300 WALNUT STREET  
PHILADELPHIA

the Guaranty Company was organized in 1920, he was made an assistant vice-president. His chief work, of late, has been in investment research and advisory work, especially concerning the relation of taxation to investments.

### MR. EMERY ON FLORIDA

Archibald C. Emery, president of the Hamilton National Bank, New York, upon his return from his annual winter holiday in Florida, reported that he could see no justification for the statement that the Florida bubble has burst. Instead, he says the permanent population of all the prominent resort cities is growing, and substantial construction programs are under way to meet the housing needs of these people. "Only a general slackening of the unusual prosperity prevailing throughout the country would cause Florida hotels to be unprofitably operated," says Mr. Emery.

In addition, the Everglades are being drained, and truck farms are appearing as fast as the land is drained. There is a large amount of railroad construction and betterments throughout the state. There are, of course, still problems to be solved, but "after all, there is no better measure

are, therefore, selling it on the instalment plan. All instalments will have been paid by August, which is the time set for the opening of the new bank. Holmes & Winslow, bank architects, are designing a building to house the bank, and afford it a substantial revenue in rentals from the very first.

James Rattray, assistant vice-president of the Guaranty Company, New York, has been elected a director and vice-president of the new company. He has also been elected president and director of the Guardian Securities Company, a subsidiary investment company.

Mr. Rattray was born and educated in Aberdeen, Scotland, and gained his early business experience there and in London. Twenty years ago he came to the United States and took a job in the Bank of Buffalo, New York. In 1917 he came to New York with the Guaranty Trust Company in charge of the income tax department. Later he was appointed an assistant manager of the bond department, and when



JAMES RATTRAY

Who has resigned as assistant vice-president of the Guaranty Company, New York, to become vice-president of the recently organized Guardian Trust Company of New Jersey, Newark, N. J.

of true prosperity than the condition of banks in any district; and it is difficult to find an established bank in Florida today

in the heart of the financial district—midway between the offices of the Central Union Trust Company and the Irving Bank-Columbia Trust Company. Across the street is the Chase National Bank, and behind the building is the New York Stock Exchange.



ROBERT RAE

Recently appointed New York agent of the Dominion Bank of Canada. He entered the service of the bank in 1906 at Toronto. Prior to coming to New York in 1920 as assistant agent, he was manager of the branch of the bank at Bleury and St. Catherine streets, Montreal. The New York agency of the Dominion Bank has recently moved into new quarters at 49 Wall street.

whose resources have not increased from two to three hundred per cent. in the last twelve months. Practically all of these banks are in splendid liquid position.

**MANUFACTURERS TRUST PURCHASES BUILDING**

The Manufacturers Trust Company, New York, has contracted to purchase the Manhattan Life building at 66 Broadway, and upon the expiration of leases, will remodel the ground floor for its own main banking office. It will also occupy the present headquarters of the Manhattan Life Insurance Company on the sixth, seventh, and eighth floors for its executive offices and special departments.

The building was erected in 1895, and is seventeen stories high on Broadway and eighteen stories on New street. It is right

**STANDARD BANK INCREASES CAPITAL**

The Standard Bank, New York, has increased its capital stock from 2000 shares to 2500 shares, issuing rights to the stockholders in the ratio of one share to each four shares held. The issue was underwritten, without cost, by the board of directors, at \$600 per share. The bank was organized in 1882, and has recently opened a Yorkville office at the corner of First avenue and Seventy-ninth street, in addition to its main office.

**STATE BANK STATEMENT**

The statement of the State Bank, New York, as of March 25, 1926, carried with it



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**The Pennsylvania Company**

For Insurances on Lives and Granting Annuities

**Trust and Safe Deposit Company**

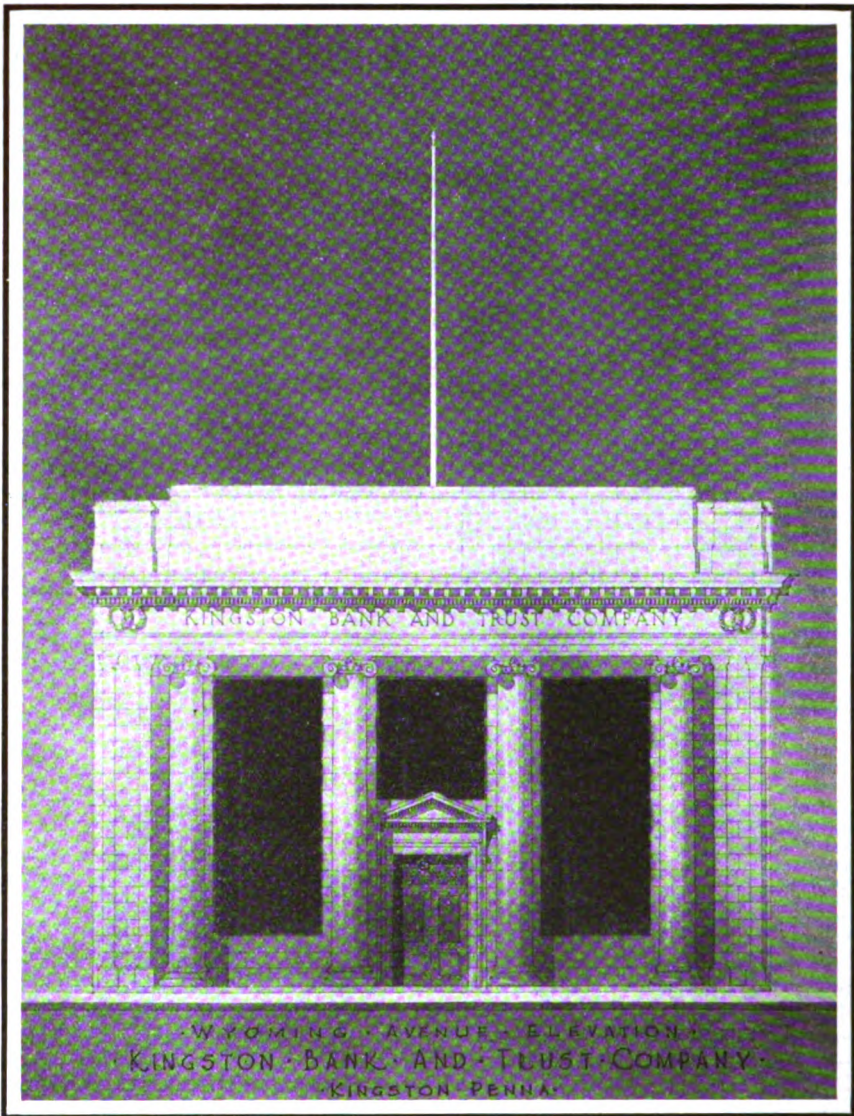
Packard Building

S. E. Cor. 15th and Chestnut Streets  
Philadelphia

**Capital, Surplus and Undivided Profits - \$20,000,000**

Member  
Federal Reserve  
System

Downtown Office  
517 Chestnut St.



*From the Drawing*

**KINGSTON BANK AND TRUST COMPANY,  
KINGSTON, PENN.**

—♦—  
**MORGAN, FRENCH & CO., INC.**  
**ARCHITECTS AND ENGINEERS**  
19 WEST 44<sup>TH</sup> STREET  
NEW YORK

an interesting "comparison of progress" since 1923. Capital, surplus and undivided profits, which stood in March, 1923, at \$7,250,041, rose to \$8,161,458 in 1924, to \$8,896,089 in 1925, and on this statement date stand at \$10,324,912. The large increase between 1925 and 1926 is due in large measure to the recent capital increase from \$3,500,000 to \$5,000,000. During the period 1923 to 1926 deposits increased from \$87,137,576 in 1923 to \$95,667,239 in 1924, to \$101,235,309 in 1925, and to \$107,248,169 at the most recent statement date.

The present statement, in addition to capital, surplus and undivided profits of \$10,324,912, and deposits of \$107,248,169, showed loans and discounts of \$73,964,560, short term securities of \$13,030,101, bonds of \$10,672,899, and cash on hand \$10,284,009. Total resources totaled \$121,304,997.

**HEEMSKERK PROMOTED**

L. B. Heemskerk has been promoted to vice-president of the Bank of America, New York, the bank thus rewarding his successful handling of the foreign department. He was born in Holland and lived there until he finished his schooling in Amsterdam. Entering the employ of the Chartered Bank



**L. B. HEEMSKERK**

Whose successful handling of the foreign department of the Bank of America, New York, has brought him a vice-presidency.

**UNIQUE THIN LEAD Colored Pencils**

*Makes fine lines for*

Figuring  
Checking  
Underscoring  
Notations  
Blueprints  
etc.

**UNIQUE is a THIN LEAD COLORED PENCIL An achievement!**

**\$1.00 per doz.**

BLUE - 1206  
RED - 1207  
GREEN 1208  
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Also 7 Additional Colors  
At all dealers, or write direct

By the makers of the famous VENUUS Pencils  
AMERICAN LEAD PENCIL CO.  
212 Fifth Avenue, New York

**Adopted by Executives, Accountants, Instructors, Draftsmen, Artists, Etc.**

of India, Australia and China, he worked first in the London and Hamburg branches, and later in the Straits Settlements in the Dutch East Indies.

When the war broke out in 1914 he was located in Bombay. Being a reserve officer, he returned to Holland, and remained there as an officer until sent to the United States a few days before the Armistice. He served for nearly two years with the Netherlands Legation at Washington, and late in 1920, joined the foreign department of the Bank of America, where he remained until his present promotion.

**CHANGES AT GUARANTY**

Charles H. Platner has been promoted from corporate trust officer to vice-president of the Guaranty Trust Company, New York. Walter Meacham, Henry A. Theis and Max Waessel have been appointed assistant vice-presidents. Frank H. Kuhn and Gordon



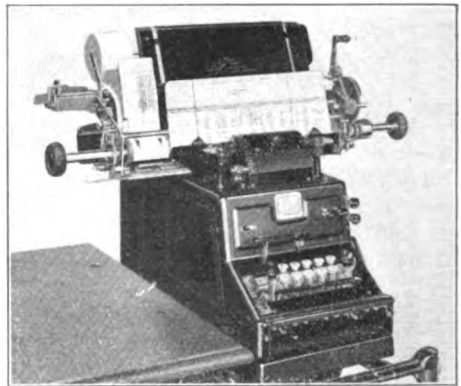
# “Write 345”...on the New Dalton “MULTIPLEX” Bank Ledger Posting and Statement Machine

**Y**OUR fingers fall naturally upon the keys—you write the number instinctively. Column selection is automatic. That's Dalton simplicity!

Now write another number. And another. Notice how fast you enter amounts on the keyboard. That's Dalton speed—25 per cent. faster than other machines!

You will notice, too, that the machine is unusually quiet—no clacking carriage. All figures are completely visible. Overdrafts, including date, are automatically printed in red. One hand operates the machine—the other is free to turn checks or deposit slips.

Further, this machine checks its own work—it will, if you desire, eliminate the expensive “call-back” system; save its own cost in a short time.



A demonstration of the New Dalton “MULTIPLEX” Bank Ledger Posting and Statement Machine obligates you in no way. Phone or write the nearby Dalton Sales Agent now and see this machine in action!

**THE DALTON ADDING MACHINE SALES COMPANY**  
Cincinnati, Ohio, U. S. A.

Agents for Canada: The United Typewriter Co., Toronto and Branches  
Sales Agencies in ALL the Principal Cities of the World

# *Dalton*

Adding-Calculating . Bookkeeping  
Statement and “Cash Register” Machines

The Dalton has been chosen the official adding and listing machine of the Sesquicentennial Exposition, Philadelphia, June 1 to December 1.

Palmer have been appointed assistant secretaries, and Oliver R. Brooks has been appointed an assistant trust officer. William H. Hamilton, recently appointed an assistant vice-president of the Guaranty Company, is now associated with the buying department of the main office of the company.

Mr. Platner, the new vice-president, began work with Acker, Merrall & Condit in 1900, and rose in eight years to the position of cashier. He spent three years with the Wells Fargo Express Company, and came to the Guaranty Trust Company in 1911. His first work was in the stock registration department, but he was later transferred to trust work, in which he has specialized ever since. In 1916, he was appointed an assistant trust officer, and in 1919, became corporate trust officer. He will continue his work in the fiduciary field as vice-president.

**FRANKLIN TRUST INCREASES DIVIDEND**

The Franklin Trust Company, Philadelphia, has increased its semi-annual dividend rate from 6 per cent. to 7 per cent. beginning with the dividend payable April 1. The board of directors has also voted to



**CHARLES H. PLATNER**  
Expert in trust work, recently advanced by the Guaranty Trust Company, New York, from corporate trust officer to vice-president

**Audits and Systems for Banks**

Our specialty is conducting efficient and thorough bank and commercial audits, and the installation of accounting systems for banks, trust companies, and foreign exchange departments.

**McArdle,  
Djörup & McArdle**  
42 Broadway, New York

transfer \$250,000 from undivided profits to surplus account, raising surplus to \$2,500,000. Combined capital and surplus now total \$4,000,000.

C. Addison Harris, Jr., president of the company, in announcing these increases, stated that the last six months have been the most profitable in the company's history

**BANK OF PITTSBURGH OPENS TRUST DEPARTMENT**

The Bank of Pittsburgh, N. A., Pittsburgh, Pa., has opened a trust department, under the supervision of William A. Wilson, trust officer, and Foster W. Doty, assistant trust officer.

**HAMILTON NATIONAL EXPANDS**

The growth of the Hamilton National Bank, New York, of which notice has been taken before in these columns proceeds steadily. The bank has two branches, and is planning the establishment of two more: the first on Washington Heights, at Wads-

Established 1837

# ADRIAN H. MULLER & SON

55 WILLIAM STREET

(Corner of Pine Street, New York)

## STOCKS AND BONDS AT AUCTION

*Regular Auction Sales of all Classes of Securities Every Wednesday*

The Business of Banks, Bankers, Investors and Dealers in Securities Receives Prompt and Careful Attention

worth avenue and 181st street; and the other (which is to be opened later in the year) on Broadway at 110th street.

### TRADESMEN'S NATIONAL INCREASES SURPLUS

The Tradesmen's National Bank, Philadelphia, has transferred \$500,000 from undivided profits account to surplus, making total surplus \$2,500,000. The capital of the bank is \$1,000,000.

### FIDELITY TRUST'S ANNIVERSARY

The Fidelity Trust Company, Philadelphia, which celebrates in September its sixtieth anniversary, has summarized its growth very vividly in two charts, printed on the back of its anniversary announcement. The first shows deposits growing from zero in 1866 to a total of about \$55,000,000 in February of this year; and the second shows trust funds growing steadily from zero to over \$350,000,000 in February, 1926.

### SAFE DEPOSIT CONVENTION PROGRAM

The program of the National Safe Deposit Convention, which will be held at the Hotel Roosevelt, New York, May 7-8, features as speakers Hon. Mark Graves, member of the New York State Tax Commission, and George V. McLaughlin, Police Commissioner of New York, and former New York State Superintendent of Banks. The general sessions of the convention will be conducted as forums, with a general topic for discussion. Harry F. Pratt, Union Trust Company, Cleveland, Ohio, will lead

the first of these, on "The Safe Deposit Business and Some Laws Affecting It." The second, on "The Public Service Aspect of the Safe Deposit Business," will be under the chairmanship of Ernest L. Anderson, Rhode Island Hospital Trust Company, Providence, R. I.; and the third, on "The Safe Deposit Business as Viewed from the Inside—Questions of Management and Operation," will be led by James A. Sweeney, Paterson Savings Institution, Paterson, N. J. The banquet will be held on Saturday night, May 8, at 6.45 p. m.

The entertainment features include a theater party, visits to the New York Stock Exchange and the Federal Reserve Bank of New York, a sightseeing trip through the Bronx, and a visit to the S. S. Olympic.



## New England States

*Comprising Maine, New Hampshire, Vermont, Massachusetts, Connecticut and Rhode Island.*

### CONVENTION DATES

New England Bankers Associations—at New London, Conn., June 18-19.

Maine Bankers Association—at South Poland, June 19.

### ATLANTIC NATIONAL INCREASES SPACE

The increase of business which has recently been enjoyed by the Atlantic National Bank, Boston, has necessitated more space. The bank has, therefore, taken additional space in the third floor of its own new building on Post Office Square, a picture of which

# Quickest at Window!

## OUTCAULT'S NEW MULTICLASS COUPON BOOK

(Patented)

FOR CHRISTMAS CLUB, VACATION AND OTHER CLUBS

Speed at the window—less work afterward—simple  
and practicable.

*Sample and Prices on request—Ask today.*

**OUTCAULT ADVERTISING COMPANY**  
221 EAST 20th STREET, CHICAGO, ILL.

was published in **THE BANKERS MAGAZINE**  
in July 1925, page 121.

### BANK WOMEN'S CONVENTION

Early in March the Massachusetts Association of Savings Bank Women held their first annual convention at the Hotel Vendome, Boston. A good deal of attention was given to school savings accounts. This is a branch of banking which is very popular in Massachusetts, and one with which the women are frequently connected. Industrial savings, whereby employes of large companies are encouraged to save, and savings bank life insurance were also discussed, as departments in which women often find places. The general theme of the convention was woman's importance in the banking field, and how her influence can be extended.

### NEW FILING EQUIPMENT BUREAU FORMED IN BOSTON

The Filing Equipment Bureau has been organized in Boston by C. H. Cobb, R. H. Charlton and W. R. Washburn, all of whom were with the Library Bureau. Mr. Cobb, president of the Filing Equipment Bureau was in charge of service and production of the Library Bureau and had been with that company for twenty-five years. Mr. Charlton, who had been with the Library Bureau for twelve years, is treasurer. Mr. Washburn, former executive vice-president of the Library Bureau until his recent resignation to become associated with the Doten-Dunton Desk Company of Boston, will serve on the board of directors.

## Southern States

*Comprising the District of Columbia, Maryland, Virginia, West Virginia, North Carolina, South Carolina, Georgia, Florida, Alabama, Mississippi, Louisiana, Texas, Arkansas, Kentucky and Tennessee.*

### STATE CONVENTIONS

- Louisiana—at Monroe, April 21-22.
- Florida—at Jacksonville, April 23-24.
- Arkansas—at Hot Springs, April 27-28.
- North Carolina—at Durham, May 6-8.
- Mississippi—at Biloxi, May 11-12.
- Oklahoma—at Oklahoma City, May 12-13.
- Tennessee—at Knoxville, May 13-14.
- Georgia—at Columbus, May 17-19.
- Alabama—at Montgomery, May 20-22.
- Texas—at Galveston, May 25-27.
- South Carolina—at Spartanburg, June 16-18.
- Virginia—at Roanoke, June 17-19.
- West Virginia—at Huntington, June 23-24.

### OTHER CONVENTIONS

- Country Bankers of Georgia—at Atlanta, April 14-16.
- Reserve City Bankers—at Atlanta, Ga., April 28-30.
- National Foreign Trade Council—at Charleston, S. C., April 28-30.
- A. B. A. (spring meeting of Executive Council)—at Pinhurst, S. C., May 8-6.
- A. I. B.—at Dallas, Texas, July 12-17.

### CAPITAL INCREASE FOR AMERICAN NATIONAL

The American National Bank, Richmond, Va., and its subsidiary, the American Trust Company have decided to increase the cap-



ital stock of both institutions so that total combined capital and surplus will amount to about \$5,000,000. The stock of the bank will be increased \$1,500,000 by the sale of



OLIVER J. SANDS

President of the American National Bank, Richmond, Va., which has increased its capital from \$1,000,000 to \$2,500,000

10,000 shares of stock at \$150 per share; the trust company's stock will be increased \$150,000 by the sale of an equal number of shares of its stock at \$15 per share.

The American National Bank was organized in 1899, with a capital of \$200,000, which has been gradually increased, to \$300,000 in 1902, to \$400,000 in 1903, to \$600,000 in 1910, to \$1,000,000 in 1912, and this latest increase brings it to \$2,500,000.

In 1916, the bank organized the American Trust Company, by paying a dividend of \$100,000, constituting the common stock, and the sale of 900,000 shares of preferred stock, making the total capital at that time \$1,000,000.

O. J. Sands, president of the two institutions, in announcing the capital increases, said that the action was taken in the fixed belief that prosperity for the South is in prospect, and that greater capital is required to make Richmond the financial center of the fifth Federal Reserve District.

#### FIRST-MERCHANTS MERGER

The consolidation of the First National Bank of Richmond, Va., with the Merchants National Bank of that city as the First and Merchants National Bank of Richmond, became effective March 1. The new bank has capital of \$3,000,000, surplus of \$3,000,000, and resources of approximately \$55,000,000.

John M. Miller, Jr., president of the First National Bank is president of the new institution, and the officers of both banks remain as officers of the new institution.

The First National Bank is the oldest bank in Richmond, organized April 17, 1865, just after the evacuation of the city by the Confederate forces. Its capital at that time was only \$100,000, but by various consolidations (with the National Exchange Bank in 1867; with the National Bank of Virginia in 1912; and finally the merger described above) it has been increased as the needs of the community required, to the present figure.

The Merchants National, though formally established in 1871, was an outgrowth of the firm of Thomas Branch & Co., Richmond, established in 1867, which firm was in turn the successor of Thomas Branch & Sons of Petersburg, Va., established in 1838.

Mr. Miller, president of the new First and Merchants National Bank, entered the banking business in 1883, in Lynchburg, Va. In 1890, he became cashier of the First National Bank of Buchanan, Va. In 1893 he became a national bank examiner covering various southern states until 1895, when he resigned that position to become cashier of the Merchants and Farmers National Bank, Charlotte, N. C., which position he held until he was made cashier of the First National Bank of Richmond, in 1902. In 1904, he was elected vice-president, and later advanced to president, which office he retains in the consolidated institution.

#### BARNETT NATIONAL OPENS BOND DEPARTMENT

The Barnett National Bank, Jacksonville, Fla., has opened a bond department, in charge of A. C. Blese. Mr. Blese has had about fifteen years' experience in the bond business with Toledo and Chicago bond houses. He came to the Barnett National in January from the vice-presidency of the Robinson-Humphreys Co., of Atlanta, Ga., and organized the new bond department.



The executive managers of the new State-Planters Bank and Trust Company, Richmond, Va.; Thomas B. McAdams, Julien H. Hill, and W. Meade Addison. Mr. Hill is also president of the new institution, which was formed by the merger of the Planters National Bank with the State and City Bank and Trust Company, described in these columns in February

#### EXCHANGE NATIONAL FURNISHES ADDING MACHINES TO CUSTOMERS

Modern banking service has come to include all kinds of assistance to clients from the making out of wills to expert advice on purchasing of real estate and bonds, and on crops. It is now being extended to minor details of helpfulness; as for example, the recent installation of adding machines on the public desks in the Exchange National Bank, Tulsa, Okla.

The bank found that depositors were delayed in making out complicated deposit slips by mental calculation, and installed the machines to help them. The patrons were quick to take advantage of the machines; rushes during peak hours of banking were relieved; and mistakes were largely eliminated. In addition, tellers are no longer interrupted by depositors requesting the use of the bank's machines.

#### ABANDON THE DOLLAR BILL

The attempts of the United States Treasury to prolong the life of dollar bills are more or less familiar to bankers. Various methods have been suggested, among them, the use of more two dollar bills, the substitution of silver dollars, the use of a smaller dollar bill, and a dollar coin, made of silver, with a gold center. Most of these have been noted in these columns from time

to time. The prejudice against the use of two dollar bills seems too great to be overcome at the present time; the silver dollars are too cumbersome; and the dollar coin of two metals seems to have met with but little consideration. Reducing the size of the dollar bills is a measure still under consideration.

A new suggestion has been made recently by Neil Carothers, head of the College of Business Administration of Lehigh University. It has the advantage of simplicity. In an article in the *New York Times* recently Mr. Carothers suggests that the dollar bill be abandoned entirely. "There has never been any crying need for the one-dollar note," he says. "Before the Civil War it was outlawed by the various states, and since that period it has had little circulation until the present day. . . . There were less than 180,000,000 dollar bills in circulation ten years ago, and the increase to more than 400,000,000 has come in the last few years. With the dollar note eliminated, the two-dollar note would become a useful and eventually a popular currency. Its position between the fifty-cent piece and the five-dollar bill is economically correct. . . .

"It is an observed fact that the lower the financial power and prestige of a nation, the lower are the denominations of its paper money. Odious comparisons between different countries of Europe in this respect



The undefeated basketball team of the Equitable Trust Company, New York, which, by eleven straight victories, captured the A. W. Loasby cup for 1926 in the annual Bankers' Athletic League series. Standing: Driscoll, Nelson, Knudsen, Baum, Norman. Seated: Andrus, Spiesel, Altman, and Denzau (manager).

might be made. It will be sufficient to note that until the break-down of her currency in the late war, England had five pounds as her smallest paper denomination, and her retail commerce was carried on with no currency whatever between the half-crown, worth about sixty cents, and the half-sovereign in gold, worth about \$2.50. A note of the value of \$1 would have been unthinkable in England in normal times."



## Middle States

*Comprising Ohio, Indiana, Illinois, Michigan, Wisconsin, Minnesota, Iowa and Missouri.*

### STATE CONVENTIONS

Missouri—at Excelsior Springs, May 18-19.

Wisconsin—at Wausau, June 7-9.

Ohio—at Cleveland, June 9-11.

Michigan—on board S.S. "Noronic," June 14-18.

Illinois—at Springfield, June 16-18.

Iowa—at Sioux City, June 21-23.

Indiana—at Lafayette, September 21-22.

### OTHER CONVENTION

Financial Advertisers' Association—at Detroit, Mich., September 21-23.

### APPOINTMENTS AT CLEVELAND TRUST

Joseph J. Andrassy, F. A. Sampson, E. E. Haueisen, and H. J. C. Corbett have been promoted to positions as assistant branch managers of the Cleveland Trust Company, Cleveland, O.

The company reports that for the ninth time in the last twelve years it leads all Cleveland financial institutions in the number and amount of real estate loans with 7329 mortgages for a total of \$43,419,927. The second largest number for one bank was 5186 mortgages for a total amount of \$36,659,818. Its mortgage loan record for the past twelve years is as follows:

*"We feel that we are best serving the interests of our community by giving preference to helping finance insulated homes—especially those built with Celotex."*



O. H. Hoss, President, Farm and Home Savings and Loan Association of Missouri.

# *Leading Bankers* **Agree**

Mr. Hoss has a broad viewpoint of community service that all bankers appreciate. He knows that no heat-leaking house measures up to modern standards of home comfort, healthfulness or economy.

Leading bankers recognize that insulated houses are better collateral. They cost less for upkeep, suffer less depreciation and sell or rent readily at a good price. Five years from now, they say, heat-leaking houses will be hard to dispose of.

Mr. Hoss considers Celotex the best insulation. This remarkable insulating lumber offers unique advantages.

Celotex is lumber manufactured from tough cane fibre. Thickness 7/16"; width, 4 ft.; lengths 8 to 12 ft.; weight, 60 lbs. per 100 square feet.

Used in outside walls as sheathing, replacing wood lumber, Celotex adds nothing to the cost of building. Under plaster on inside walls and ceilings, replacing lath, it costs only a trifle more. Celotex is stronger in wall sections than wood lumber. It is the *only* effective insulating material which provides this greater strength and is not an extra item in the building.

Ask your architect, contractor or lumber dealer to tell you more about Celotex. Leaders in these lines recommend its use. Have your secretary write for a free copy of the Celotex Building Book. It explains house insulation fully.

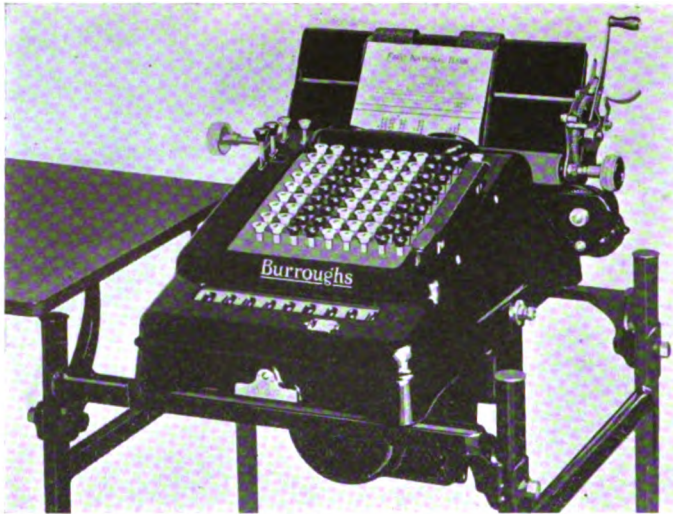
**THE CELOTEX COMPANY, Chicago, Illinois**

*Mills: NEW ORLEANS, LA.*

Branch Sales Offices in many principal cities. (*See telephone books for addresses*)

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**CELOTEX**  
INSULATING LUMBER



The new transit machine of the Burroughs Adding Machine Co., Detroit, Mich., designed especially for use with the numerical transit system. Speed and visibility are its two chief attributes

| Year | Number of Loans | Place |
|------|-----------------|-------|
| 1914 | 1186            | 1     |
| 1915 | 1702            | 1     |
| 1916 | 1611            | 1     |
| 1917 | 1503            | 1     |
| 1918 | 402             | 2     |
| 1919 | 1495            | 1     |
| 1920 | 2603            | 2     |
| 1921 | 2208            | 2     |
| 1922 | 5144            | 1     |
| 1923 | 5308            | 1     |
| 1924 | 7324            | 1     |
| 1925 | 7237            | 1     |

### COMMERCIAL OF TOLEDO ENLARGES BRANCH

The increase of business at the Monroe-Lawrence branch of the Commercial Savings



H. D. MESSICK

Vice-president Union Trust Company, Cleveland, O., who helped to organize the first trust department in the State of Ohio in the Savings and Trust Company of Cleveland in 1896. The Savings and Trust Company through various consolidations finally became a part of the Union Trust Company.

### TOWNER JOINS STERN & CO.

Horace Towner has been elected a vice-president of Lawrence Stern & Co., Inc., Chicago., the new investment firm which was organized some months ago to specialize in the underwriting and distribution of first mortgage real estate loans.

### FIRST NATIONAL OF PLATTSBURG OPENS NEW BUILDING

The First National Bank, Plattsburg, Mo., has recently opened its new building, designed by Wight & Wight. At the same time, it published side by side its statements of February 4, 1890 and February 4, 1926, showing a growth in capital stock from \$50,000 to \$100,000, in deposits from \$40,830 to \$888,699, in loans and discounts from \$46,843 to \$1,009,945, and cash from \$23,103 to \$133,197. Total resources rose during the period from \$90,838 to \$1,372,772.

# GENERAL MOTORS ACCEPTANCE CORPORATION

*Executive Offices:*

250 West 57th Street, *New York City*

**T**HE obligations of this institution are selected as appropriate and sound mediums for short term investment by a large banking clientele. They may be obtained in convenient denominations and suitable maturities.

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**Curtis C. Cooper**  
*President*

**Albert L. Deane**  
*Vice President*

**Pierre S. duPont**  
*Chairman, General Motors Corporation and E. I. duPont de Nemours & Co.*

**Lammot duPont**  
*Finance Committee, General Motors Corporation.*

**O. H. P. LaFarge**  
*General Motors Corporation*

**Seward Prosser**  
*Chairman, Bankers Trust Company, New York*

**John J. Raskob**  
*Chairman, Finance Committee, General Motors Corporation*

**Alfred P. Sloan, Jr.**  
*President, General Motors Corporation*

**John J. Schumann, Jr.**  
*Vice President*

**Donald M. Spaidal**  
*Vice President*

Bank and Trust Company, Toledo, O., has been so great that it has been necessary to alter the quarters to almost double the capacity of that office. In addition the capacity of the vault is being increased.

The bank has also started work on the erection of a new building for its eleventh office, to be known as the Delaware-Detroit office. When completed, it will give the Commercial more offices than any other bank in the City of Toledo.

## PLAN FOR FINANCING CANNED GOODS


In an article in the *New York Journal of Commerce*, Alvin C. Reis of the State Department of Markets of Wisconsin, deplored the fact that at present there is no satisfactory method of financing canned goods, due to the fact that they cannot be warehoused as a product within the scope of the United States Warehouse Act. At present the act is restricted to "agricultural products." He suggested that efforts might be made to have the act altered to include canned vegetables; or the laws of the several states might be altered to include them. The latter plan would be very difficult, and would cause a great duplication of effort.

A third method by which this might be accomplished is by having the scope of the Federal Intermediate Credit Act altered to include canned vegetables. All these suggestions are based on what has been done in Mr. Reis' own state, where he says there is "a statute authorizing the Commissioner of Markets to license and bond warehouses for the storage of 'farm products,' and by virtue of the definition contained in the Wisconsin Marketing law at the time that the Bonded Warehouse Act was passed—which definition included processed products—it has been held that canned vegetables come within the purview of the Wisconsin bonded warehouse statute."

## TREATING MIND AND BODY

Battle Creek College, Battle Creek, Michigan, reports that since it is the custom of a large number of bankers to spend a vacation at the Battle Creek Sanitarium, just across the street from the college, it has decided to institute courses of special interest to them this summer, from June 24 to August 17. Professor James Harvey Rogers of the department of economics, University of Missouri, will give a course in "Money, Credit and Banking;"

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and Professor E. S. Furniss, chairman of the department of economics, sociology and government at Yale University, will offer a course in "Labor Problems." It is expected to have other prominent economists also give a series of lectures. Thus the bankers at Battle Creek may be refreshed and invigorated in both body and mind.



## Western and Pacific States

*Comprising North Dakota, South Dakota, Nebraska, Kansas, Montana, Wyoming, Colorado, New Mexico, Oklahoma, Washington, Oregon, California, Idaho, Utah, Nevada, Arizona and Alaska.*

### STATE CONVENTIONS

Kansas—at Wichita, May 20-21.  
 California—at Del Monte, May 26-29.  
 Oregon—at Gearhart-by-the-Sea, June 4-5  
 Washington—at Walla Walla, June 8-10.  
 Utah—at Richfield, June 11-12.

South Dakota—at Watertown, June 15-16.  
 North Dakota—at Grand Forks, June 22-23.

Colorado—at Glenwood Springs, June 25-26.

Montana—at Butte, July 15-17.

Wyoming—at Sheridan, Sept. \_\_\_\_\_

New Mexico—at Roswell, October 22-23.

### A. B. A. CONVENTION

At Los Angeles, October 4-6.

### OLD NATIONAL-UNION TRUST MERGER PROPOSED

It is reported that the Old National Bank, Spokane, Wash., is to consolidate with the Union Trust Company of that city. For many years they have been operating under the same ownership, though under separate charters. If the consolidation is effected, the invested capital will probably be increased to around \$2,000,000.

The Old National Bank had its inception in 1889 as a state institution known as the Pacific Bank. In 1891 it was chartered as the Old National Bank. The modern development and growth of the bank date from 1902, when D. W. Twohy and his associates purchased control of the bank and Mr. Twohy became president. In 1907 the bank organized the Union Trust Company, to meet the broadening needs of the community with a complete banking service.

A splendid building to house the two banks was constructed in 1910. Evidently the bank is planning to build another even finer building, for Mr. Twohy, now chairman of the two institutions, in speaking of the proposed consolidation said, "The affiliation of these institutions will give to Spokane

## The South Carolina National Bank

Charleston, S. C.

Greenville, S. C. - Columbia, S. C.

|                              |                      |
|------------------------------|----------------------|
| Consolidation of             |                      |
| Bank of Charleston, N. B. A. |                      |
| Charleston, S. C.            |                      |
| Norwood Nat. Bank            | Carrollton Nat. Bank |
| Greenville, S. C.            | Columbia, S. C.      |
| Capital .....                | \$ 1,100,000.00      |
| Surplus .....                | 650,000.00           |
| Resources .....              | 25,000,000.00        |

a new banking house with materially increased capital."

**NEW OFFICE FOR CALIFORNIA BANK**

On April 1 the California Bank, Los Angeles, Calif., opened another office, the Pacific Palisades branch, under the management of J. Howard Steenson. This is the forty-third branch office of the California Bank.

**THE PACIFIC COAST AS A SECURITY MARKET**

Speaking on "Furthering Pacific Foreign Trade Through Pacific Coast Financing," John E. Barber, vice-president of the First National Bank of Los Angeles, Calif., told the delegates to the Pacific Foreign Trade Convention that the Pacific Coast is absorbing over \$500,000,000 of securities every year—10 per cent. of the total floated in the United States.

"The Pacific Coast has become one of the great investment markets in the United States," said Mr. Barber, "and by itself will absorb as much as \$25,000,000 of a single well secured issue. Today the Pacific Coast is more completely self-sufficient than at any time in its history; in fact there is a surplus of investment capital over and above its normal requirements. It is proper and desirable that some portion of this excess capital, which is seeking profitable employment, be directed toward the increase of the overseas commerce of Pacific ports.

"Many projects in the Pacific trade area do not justify a public offering in the present state of their development. They may better be financed through development or investment companies organized by Pacific Coast bankers under expert management and responsible sponsorship, which would enlist Pacific Coast capital in furthering Pacific foreign trade until such foreign enterprises attained the size and background warranting a public offering of their securities to investors.

"The commercial history of the world has demonstrated the effectiveness of investment in promoting foreign trade. To do this requires time and a large variety of manufactures, but the most needful action is the investment of Pacific Coast capital in lines and enterprises to which that region sells its goods."

**ONE BANK COVERS THE LOS ANGELES METROPOLITAN DISTRICT**



This circle, with a radius of 20 miles embraces the Los Angeles Metropolitan District. The area shown in this circle covers the greatest per capita wealth, the most continuous prosperity and the most rapid growth in California.

STARS INDICATE BRANCHES OF

**SECURITY TRUST & SAVINGS BANK**

Your patrons and friends visiting California will be extended every courtesy and consideration at any of these branches of the Security Bank if they bear a letter of introduction from you.

**RESOURCES EXCEED \$200,000,000  
OVER 285,000 DEPOSITORS  
CAPITAL & SURPLUS \$11,075,000**

Ask our Department of Research and Service for any desired information regarding business conditions in this region.



## Steelcrete Vaults

**H**EVY plate steel, square-cut and expanded into a continuous diamond mesh sheet, erected solidly layer upon layer, then filled with well-proportioned concrete. It results in a vault that is a monolithic mass (walls, roof and floor) of concrete and thousands of steel diamonds—well nigh impenetrable.

Steelcrete Armor Mat has solved the vault problem—recognized as "the highest protection at moderate cost." Send for booklet, "Protection."

### THE CONSOLIDATED EXPANDED METAL COMPANIES

BRADDOCK, PA.

|   |  |
|---|--|
| <p><i>Branch Offices</i></p> <p>PHILADELPHIA<br/>1075 Germantown Ave.</p> <p>PITTSBURGH<br/>Oliver Building</p> <p>CHICAGO<br/>1234 W. Washington Blvd.</p> | <p>NEW YORK CITY<br/>103 Park Ave.</p> <p>ST. PAUL<br/>1429 Marshall Ave.</p> <p>DETROIT<br/>Majestic Building</p> |
|---|--|

*Foreign Sales Office*  
152 West 42d St. N.Y.C.

Thus it is, he pointed out, that compared with the period before the war, the foreign trade of the United States has doubled in value, and the Pacific Coast's share of that trade has quadrupled in value.



## Dominion of Canada

### ECONOMIC CONDITIONS IN CANADA

By J. W. Tyson

**F**AVORABLE developments in the business situation continue to predominate. Railway car loadings are higher than for some years. There is less unemployment than at this season during any of the last five years. Building operations continue active, showing an increase of about 25 per cent. over 1925. Savings bank deposits are increasing and the surplus of such deposits over current loans is perhaps the largest in the country's history, indicating an easy supply of money for trade and in-

dustrial expansion. The movement of goods to consumers is in increased volume but merchandise stocks in the hands of retailers are small; business is still on a hand-to-mouth basis. Manufacturers are beginning to feel the benefit of the improved buying power resulting largely from better agricultural incomes. The mining industry, particularly in central Canada, is booming and the lumber industry shows some recovery. The steel industry is showing moderate but healthy expansion.

Discouraging factors include extremely high taxes from which there is no evidence of any early relief, and a political situation of unusual uncertainty, with the Government holding power only with the support of the more radical elements which seem bound to influence legislation in a manner unfavorable to business as the price for their support of the administration.

"Full Speed Ahead with Caution" is an expression descriptive of the present business situation in Canada recently employed by an industrial leader, which seems to summarize pretty well the present attitude of industrial, commercial, and financial executives. The developments in the situation in the United States are being closely watched. The recovery in Canada was slower in starting, and has been more moderate in its pace, than in the United States. The tendency of Canadian investors, as reflected by the stock market, to act independent of Wall Street leadership prevailed for a time, but when the big slump came in March there was a realizing movement in relation to the stocks which had been favored speculatively and an adjustment of values to a basis which indicated a more conservative attitude as to the business outlook. Altogether this adjustment has been regarded as a favorable development as having the effect of checking a speculative movement which had the usual dangers.

In the business situation there is no evidence of inflation as yet and in most respects a spirit of caution is being exercised. Instalment selling, as effective in removing goods from category of inventories in the hands of manufacturers to consumers who have not yet paid for them, is looked upon as one possible danger point. However, instalment selling in Canada is regarded as still being on a relatively sound basis. In other directions experience ob-

tained during the recent period of deflation and depression is having its effect. This experience has had its good influences in the opinion of A. F. White, president of the Standard Bank of Canada. Mr. White told the annual meeting of shareholders of the bank that the result has been the adoption of more modern and efficient methods which have worked alike to the benefit of the business community and the banks; during the last three or four years there has been a vast improvement generally in business management and control. The cautious attitude, resulting from experiences during the depression period, is also in evidence in public finance in municipal affairs where the voters are exercising an influence over local expenditures. During 1925 the grand total of new borrowings was \$100,000,000 below the 1924 total and the ratio of reduction has been even greater thus far in 1926.

There is plenty of money available as indicated by the fact that bank savings deposits are more than \$400,000,000 greater than commercial loans. During pre-war times when the country was expanding, loans were consistently larger than deposits. There is thus a big surplus of ready money on which any warranted expansion can be readily financed. But it is realized that until there is a resumption of immigration on an important scale and an increase in the country's population any extensive program in business, municipal or national expansion is not warranted. The matter of encouraging immigration is having the attention of the transportation companies and the Government. At the same time the con-

## One Hundred and Fifty Years Ago

THE DECLARATION OF INDEPENDENCE and the Signature of JOHN HANCOCK inscribed on that Momentous Day—July 4, 1776—will live through the ages.

Any American, or anyone interested in America, can get a faithful facsimile copy of the Declaration,—which contains the famous John Hancock signature and that of Fifty-Five other Immortal Americans who took their lives in their hands and pledged their fortunes to the Independence of the Colonies.

A splendid reminder of early struggles, to be framed and placed where all may behold it.

Inquiry Bureau

*John Hancock*  
MUTUAL  
LIFE INSURANCE COMPANY  
OF BOSTON, MASSACHUSETTS

197 Clarendon St., Boston, Mass.

### 1926 THE CORPORATION MANUAL

Twenty-seventh Edition

A systematic arrangement of the Statutes in all states affecting both Domestic and Foreign Business Corporations, The Uniform Stock Transfer Act, Blue Sky Laws, Anti-Trust Laws, Forms and Precedents. Strong Buckram binding. 2381 pages.

**United States Corporation Company**

150 Broadway, New York

tinued movement of people from Canada to the United States is receiving serious consideration and in this connection pressure is being brought to bear upon the Government to adjust the taxation in this country in accordance with the reductions which have recently been made by the Washington administration.

Considerable study is being given to the matter of trade regulations for the benefit of Canadian industry. The pulp and paper industry in British Columbia is becoming increasingly prosperous and credit for this, in part at least, is being given to the new trade treaty with Australia. Under the Canadian Australian trade treaty, which provides a preferential tariff treatment for Canadian pulp and paper, new business amounting to \$1,500,000 has been directly traceable to the tax since October 1 last. International Harvester Company has secured important timber lands in British Columbia, and American capital is being interested in the pulp and paper industry.

In an endeavor to increase the manufac-

## “The Value of Fresh Air”

Winter is the time for intensive business. Preventable sickness, absenteeism and inefficiency cause serious losses. Greater profits result if your employees breathe pure air.

Vacations with pay for your employees are an investment in health and ambition. The investment will soon be lost unless a healthful atmosphere is maintained during the cold season.

Modern science demands ventilation with cool, fresh air. By the Gerdes Method of Ventilation healthful and invigorating *unheated* fresh air is diffused without causing draft or chill. A booklet fully describing this method and giving references of the highest character will be sent on request.

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ture of paper within the province, the Ontario Government has stipulated, in connection with extensive sales of pulpwood from areas running into many thousands of square miles and involving many millions of cords of wood, that all raw materials shall be completely manufactured into paper. The exportation of hydro electric power produced within the Province of Quebec is being prohibited. These steps by the provinces, which are expected to be followed by others of a similar character, are aimed to secure the highest possible benefits from the country's raw materials. It seems doubtful whether Ottawa will act on the question of a national embargo against the export of all pulpwood. The action taken in Ontario has to do with pulpwood from crown lands only. The Federal Government hesitates to prevent the exportation of wood from private lands, because, in some parts of the country, this would rob the pulpwood farmers of their best market—that is to sell for export to the United States.

The Canadian Council of Agriculture has gone on record favoring—by means of reciprocal arrangement—a reduction in the

duty on cattle entering the United States. It is believed here that the American tariff is aimed at exports from South America and Mexico rather than those from Canada. It is felt, however, that if any arrangement is made between Canada and the United States affecting the cattle industry it should be in the form of a lasting treaty rather than a regulation assured of no longer life than that of the current administration. The Canadian cattle industry benefited substantially when the American market was thrown open some years ago, but the benefits so obtained were very largely lost when the market was closed again and thousands of head of Canadian cattle, mostly from the western prairies, had to be sold at sacrifice prices. Subsequently Canadian cattle breeders have again been producing breeds and types suitable for finishing to advantage in Canada for export to the British market. The Canadian cattle industry is now being rebuilt on this basis and the throwing open of the American market, without assurance of reasonable permanency, would be a doubtful benefit.

The chain store having introduced keen competition in the matter of prices for

standard as well as staple articles, a campaign looking to price stabilization has been launched. The tire manufacturers and distributors have already worked out a system for the maintenance of prices on standard makes and retail and wholesale grocers, together with a group of food specialty manufacturers, have inaugurated, on a small scale, a price maintenance policy on some of the trademarked lines. Similar action is being considered in the drug trade. Methods employed in Great Britain, which have been more or less successful for forty years, are being studied as to their suitability for adoption in Canada. The extent of the success of the movement is doubted by many close students of merchandising tendencies and developments will be closely followed.

STANDARD BANK OF CANADA

Improved business conditions were experienced by the Standard Bank of Canada, Toronto, Ontario during the year ending January 31, as indicated by the fact that current loans increased by more than \$2,000,000 and this improvement found reflection in profits, which totalled \$773,823.

In view of the absorption of the Sterling Bank of Canada, which was effected during 1924, it is interesting to compare the earnings of recent years on the basis of paid up capital. During 1923, when the paid up capital amounted to \$4,000,000, the profits represented 17.73 per cent. During 1924, when the average paid up capital was increased, the showing was 16.96 per cent. on the average on which dividends were paid. During 1925 the showing was 16.05 per cent. on the larger paid up capital of \$4,823,400. In all cases there was a substantial margin of earnings over the 12 per cent. dividend paid.

The bank's total assets, increased by over \$3,000,000 to a total of \$86,559,055.

NEW EASTERN OFFICE

Following out the policy of decentralizing administrative control, which has been adopted by a number of the Canadian banks in recent years, the Bank of Nova Scotia, Halifax, Nova Scotia, announces the appointment of H. L. Enman as supervisor of eastern branches, with headquarters in St. John.

## Light and Power Utilities

Specializing in organizing and extending plants, including the planning of new layout and equipment. All work done promptly and well.

**Harold A. Danne**  
*Engineer*  
41 PARK ROW, NEW YORK  
*Tel. Cortland 2142*

EARNINGS OF CANADIAN BANKS

Following is a comparative summary showing the percentage of earnings on capital and on capital and surplus of the various Canadian chartered banks:

| Percentage of Earnings on Capital     |       |
|---------------------------------------|-------|
| Nova Scotia .....                     | 21.38 |
| Bank of Toronto .....                 | 20.26 |
| Dominion Bank .....                   | 19.28 |
| Bank of Commerce .....                | 17.43 |
| Royal Bank .....                      | 16.73 |
| Imperial Bank .....                   | 16.60 |
| Standard Bank .....                   | 16.04 |
| Bank of Montreal .....                | 15.40 |
| Banque Canadienne .....               | 14.95 |
| Provincial Bank .....                 | 13.57 |
| Earnings on Capital, Rest and Surplus |       |
| Standard Bank .....                   | 9.82  |
| Provincial Bank .....                 | 9.00  |
| Bank of Commerce .....                | 8.48  |
| Dominion Bank .....                   | 8.32  |
| Bank of Toronto .....                 | 8.27  |
| Royal Bank .....                      | 8.16  |
| Bank of Montreal .....                | 7.60  |
| Banque Canadienne .....               | 7.31  |
| Nova Scotia .....                     | 7.16  |
| Imperial Bank .....                   | 7.16  |

# Growth of the International Securities Trust of America

**M**UCH interest in financial circles attaches to the recent annual report of the International Securities Trust of America because, in the first place, this is the first institution of this kind to be organized in the United States, and in the second place because it has adhered very strictly from the outset to the principles successfully developed by the British investment trusts over a long period.

As shown by the report submitted to shareholders at the annual meeting on March 22 the total assets of the International Securities Trust of America on November 30, 1925, were \$6,819,647 as compared with \$1,438,582 on November 29, 1924. Over this period the capital paid in by preferred and common shareholders has increased from \$647,523 to \$3,375,387 and the amount paid in by bondholders increased from \$680,000 to \$3,000,000.

The trustees also submitted at this meeting the condensed balance sheet of March 1, 1926, which reveals total resources of \$10,342,300, of which \$5,000,000 has been paid in on the 6 per cent. secured gold bonds, \$3,425,000 on preferred shares (Series A, B and C), and \$1,529,820 on common shares. There were, on March 1, 1926, 43,725 no par value common shares outstanding, as compared with 36,224 on November 30, 1925.

Net earnings available for dividends on common shares were \$164,992 for the year ended November 30, 1925, after deduction of the special bond interest and preferred dividend reserves. Of this amount \$91,763 was paid out in dividends on common shares. Dividends paid on the common shares have risen from an equivalent of \$2 annually in September 1924, to \$3.80 on March 1, 1926. The trustees report that interest on the bonds has been earned over three and one-half times; dividends on the preferred shares over four times and dividends on the common shares approximately twice.

Regarding dividends paid on the common shares the trustees comment as follows:

"The dividends on the common shares on November 30, 1924, were at the annual rate of \$6 per share, or an equivalent of \$2 per share on the present shares. On December 13, 1924, a 200 per cent. share distribu-

tion was made on the common shares, thus multiplying the number of outstanding common shares by three. The cash dividend was thereafter increased during the year to an annual rate of \$3.40 as of November 30, 1925. The dividend policy of the trust has been fully justified by the earnings received, as shown in the audited statement.

"The 200 per cent. share distribution above mentioned was largely for the purpose of providing a more attractive share unit offering to the public, and at the same time providing a larger amount of senior capital."

It is interesting to note that approximately half of the capital has been raised by sale of bonds to the investing public, 34.4 per cent. by the sale of preferred shares, and 15.3 per cent. by common shares.

The distribution of investments with respect to bonds, common and preferred shares, and as to the different types of securities is shown to be:

|  | Per cent. |
|--|-----------|
| Bonds .....                                  | 60.683    |
| Preferred and common stocks .....            | 39.317    |
|  | 100.00    |
| Railroad, public utility and industrial..... | 47.579    |
| Banking, finance, land bank and misc.....    | 40.502    |
| Government and municipal .....               | 11.919    |
|  | 100.00    |

Regarding policies pursued in the investment of capital of the International Securities Trust of America the report states:

"In accordance with its fundamental practice, the trust has, during the last year, bought a great many different high-grade securities in depressed markets wherever they have occurred in the world, and from time to time has sold securities which have advanced through buoyant markets to a point out of line in yield, enabling the trust to buy elsewhere securities of equal quality at lower prices. This practice has resulted in a fairly rapid rate of turnover. As is readily recognized, in order to obtain capital profits from turnover, it is necessary for the trust to keep its investments in securities of highly marketable character. This insures to the security holders in the trust the ability of the trustees to liquidate its holdings promptly under almost any conceivable circumstances."



New building of the Republic National Bank of Dallas, Texas

## Imposing New Home of Republic National Bank of Dallas

### New Structure is Tribute to Enterprise and Initiative of Texas Bank

**F**OUNDED six years ago with a capital of \$100,000, and having grown, without any consolidation or absorption, to an institution with deposits of nearly \$24,000,000, the Republic National Bank of Dallas, Texas, moved on February 15, last, into its imposing new home. The new Republic National Bank building rises to a height of twenty-one stories, and its dome graces the Dallas skyline 350 feet above the street level. It is exceeded in height by only one other in the entire Southwest.

Opening on February 14, 1920, the Republic National Bank, then known as the Guaranty Bank and Trust Company, had at the close of its first day's business total resources of \$916,869, while today its resources have grown to more than \$30,000,000. Deposits at the end of 1920 were \$4,794,197. At the end of 1921 they had grown to \$6,507,074. In the next twelve months a gain of almost 100 per cent. was recorded, with a total at the close of 1922 of \$12,207,218. The ratio of gain in deposits has been steadily maintained since, as the figures for

the next three years show. At the close of 1923 they were \$16,969,220; at the end of 1924, \$18,365,682, and at the close of business for 1925, \$23,678,983. On February 1, 1926, the total of deposits was about \$25,000,000.

This growth has been that of the Republic National Bank. There has been no consoli-



W. O. CONNOR

President Republic National Bank of Dallas

dation and no absorption of other institutions. The banking history of the Southwest shows few if any instances of such steady and consistent growth as is here reflected. Nor was chance a factor in the remarkable development of this institution, but rather the fact that it has been built upon the basic foundation of sound banking.

As its deposits and resources have increased the bank has enlarged its facilities for service, the new building, erected at a cost of nearly \$2,000,000, being the logical outcome of a constantly expanding vision and the necessity for more room. The building replaces a Dallas landmark, the old Scollard building, a seven-story structure and the city's earliest skyscraper.

Organization in 1924 of the Republic Trust and Savings Bank was another step in the program of service, since the new institution in affiliation with the old gave to the Republic banks in combination functions not before possessed by the national

bank. Development of the trust and savings bank has been as remarkable as that of the parent institution, its statement as of December 31, last, showing resources of \$3,656,732. Between the two every sort of service incidental to banking in all its branches is afforded, all within the same structure and largely under direction of a single group of men, each specializing in his own field of finance, trust service, bond and mortgage investment and related activities.

The new building of the Republic National Bank the Republic Trust and Savings Bank at Main street and Exchange place, is in the heart of the downtown business and financial district of Dallas. Not only is the Republic building the second tallest in the city, but it is, in exterior and interior design and finish, one of the finest banking and office structures in the country. Graceful in its external lines, its banking rooms in particular are extraordinary for their spaciousness, beauty and convenience, probably equalling any institution of its character in the South or Southwest.

The building faces 96 feet on Main street, with a depth of 100 feet on Exchange place. Twenty stories above the ground in height, it is surmounted by a 60 foot tower, the dome of which is 350 feet above the sidewalk level. A basement and sub-basement provide space for vaults, storage, toilet facilities, boiler rooms and mechanical accessories for the operation of the building. The lower basement floor level is 34 feet below the sidewalk line.

Of steel frame construction from bottom to top, the steel columns fireproofed with concrete, the structure carries concrete floor slabs over which the finished floors are built. The entire exterior on all sides from the top of a polished granite base to the nineteenth floor line is faced with Bedford Indiana limestone, the two street faces being tooled in vertical lines to give variation to the stone surfaces. The north and west walls have a plain sand finish.

At either side of the main entrance to the banking rooms are large columns of Bedford stone topped with carved capitals in single pieces of stone, with pilasters at either side finished in the same design. Carved stone belt courses appear at intervals with cornices of slight projection at the fourth and fifth floor lines. All of the exterior walls above the nineteenth floor and the cornices are of mat glazed terra cotta in color to match the stone and ornamented



# EXPERIENCE

57 Years of Seasoned Experience in every phase of banking service has qualified this bank to act for you as "A Thoroughly Satisfactory Chicago Correspondent."

We invite you to utilize the broad experience, conservative counsel and sincere helpfulness which our correspondents uniformly enjoy.



FREDERICK H. RAWSON  
*Chairman of the Board*

HARRY A. WHEELER  
*President*

CRAIG B. HAZLEWOOD  
*Vice-President*

# UNION TRUST COMPANY

CHICAGO

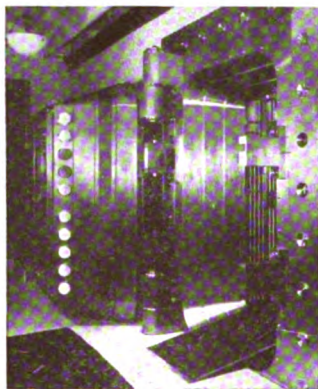
SAFETY SPIRIT EXPERIENCE CALIBER CONVENIENCE COMPLETENESS PRESTIGE



# MOSLER DONSTEEL VAULT DOORS

CONFIDENCE  
SECURITY

STRENGTH  
PROTECTION



—The latest development in Scientific Protection—  
designed to offer maximum resistance against  
every known form of attack.

Mosler DONSTEEL Vault Doors will resist burglarious attack by Torch and Drill—the weapons of the modern cracksmen—as proved by independent tests conducted by leading Testing Laboratories and Technical Institutions.

No known metals are comparable to DONSTEEL in this respect.

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375 BROADWAY, NEW YORK CITY.

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LOS ANGELES  
ATLANTA

CHARLOTTE  
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NEW ORLEANS

in keeping with the general design. The tower above the roof is three stories in height with sight-seeing balconies at the second and third floor levels, each surrounded and protected by ornamental balustrades of stone.

The upper portion of the tower is circular in form with ten Doric columns supporting the top, which is surmounted by a dome to be finished in pure gold leaf. The tower will carry special lighting equipment for its illumination at night, while the gold-covered dome will make the building visible for many miles outside the city in daytime. The tower is, like the remainder of the structure, of steel frame construction and entirely fireproof.

The Republic banks will occupy the two basements, the first and mezzanine floors and the second floor, with entrance to the elevator lobby and the upper floors through a lobby on the west side of the ground floor. This corridor, which has a separate street entrance from the banks, is finished and decorated in harmony with the remainder of the lower floors, with a coffered ceiling decorated to match that of the banking rooms. From this lobby five multi-voltage high-speed Otis elevators serve the upper floors. These elevators are provided with automatic doors, opened and closed without manual effort. All floors in corridors of the office section of the building are of gray and tan terrazzo, and all woodwork above the banking section of full quarter-sawn white oak in natural finish. Corridor walls have a Tennessee marble wainscot, with office floors of gray and tan terrazzo.

Heat for the entire building is supplied from two Babcock & Wilcox boilers of 225-horsepower capacity, located in the basement, and so connected that high or low steam pressure may be used, with either gas, oil or coal as fuel. Two 12,000-gallon tanks carry oil reserves, while several carloads of coal also can be stored. In the sub-basement is located other machinery essential to the operation of the building, including all electrical installations. Thermostatic control of heat is provided in the banking rooms. A special ventilating system, by which all air may be changed six times a minute, is provided for the five floors of the bank section and to all of the vaults in both basements. Fresh air is drawn into the building from above the seventh floor line, taken into a circulating fan room and thence forced under draft to all parts of

the banking rooms, ventilating tubes ending in ornamental plaster grilles, decorated in conformity with their environment. The architects for the building were C. D. Hill & Company of Dallas.

W. O. Connor, president of the Republic National Bank and chairman of the board of the Republic Trust and Savings Bank,

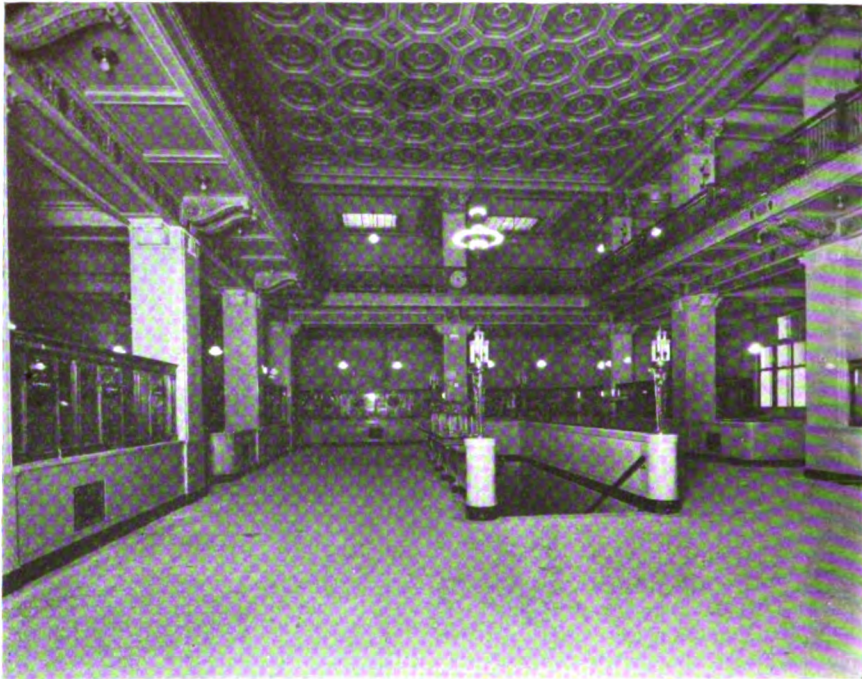


F. F. FLORENCE

First vice-president Republic National Bank  
of Dallas

came to Dallas in 1867 when there was a population in the village of that day of about 600 people. He has lived in Dallas continuously since, with the greater part of the intervening time spent in the firm of Sanger Bros. as general credit manager. In his regime in that position the annual sales of the organization were expanded from a very small amount to the twelve or fourteen million-dollar point.

In the last six years under his guidance as president the Republic National Bank of Dallas has grown from a small beginning to the present dignity of nearly \$25,000,000 of deposits. This growth is attributed by Mr. Connor to the excellent organization drawn about him and the steadfast program of safety, security and progressiveness. His long commercial experience has given him a state-wide acquaintance of great value to the bank.



Main banking room of the Republic National Bank of Dallas

F. F. Florence, first vice-president, was born in New York City, and with his parents moved to Rusk, Texas, in 1892. He began his banking career in Rusk during the year 1907 and was active officer in east Texas banks until coming to Dallas on May 15, 1920, as first vice-president of this bank. For eight years previous to that time he had been president of a bank at Alto, Texas.

William Z. Hayes, vice-president, was born in Omaha, Morris county. He was an officer of the Texas State Senate two terms, served four years as a state bank examiner of Texas, the last year of which he was Chief State Bank Examiner. He was a national bank examiner for six years, working in Texas, Louisiana, Nevada, California, New York, Connecticut, New Jersey and New York City, from which work he came with the Republic National Bank of Dallas in January 1920.

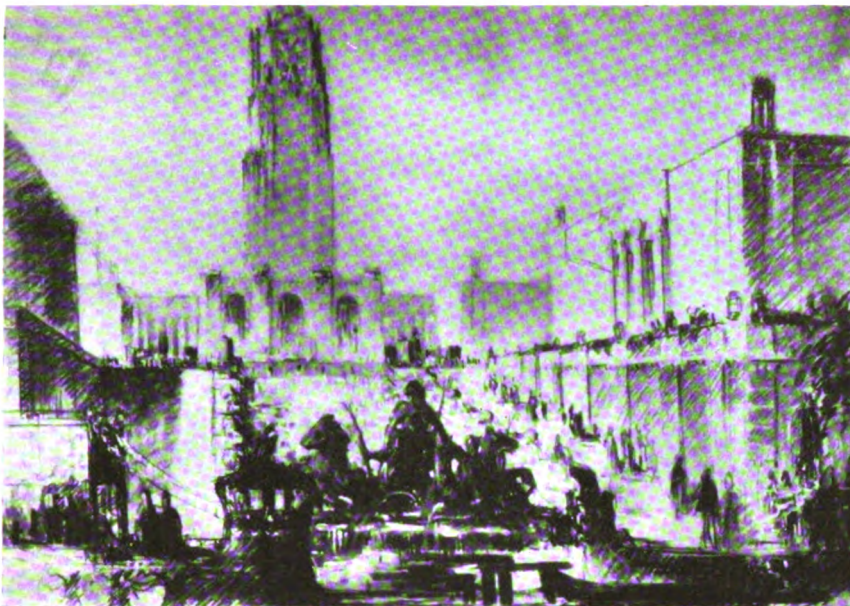
John R. Haven, vice-president, was born and reared in Denison, Texas, and has been active in the banking world for the last twenty-five years. Mr. Haven has always been active in the Texas chapter of the American Institute of Banking, served one year as vice-president of the savings bank section of the chapter and one year as

president of the national bank section. For three years he was a member of the executive committee of the savings bank section of the American Bankers Association.

John E. Owens, vice-president, was born in Galveston. He was a special banking service representative for the Texas Farm Bureau Cotton Association for over two years and then general manager of the Texas Cotton Growers' Finance Corporation, a subsidiary of the cotton association, for several months. After that he became vice-president of the Central National Bank and president of the Central State Bank and Trust Company. He went with the Republic National Bank of Dallas, in October 1925, as an active vice-president.

Rupert Eldridge, cashier of the Republic National Bank, was born in Brenham, Texas. In 1920, he resigned as assistant cashier of the Security National Bank, and accepted cashiership of the Guaranty Bank and Trust Company, now the Republic National Bank.

R. F. Nicholson, comptroller of the bank, was born in Brenham, Texas. He became associated with the Republic National Bank of Dallas as comptroller in January 1925.



A drawing showing a night view of the lagoon, which will be one of the features of the Sesqui-Centennial International Exposition. In the background is the tower of light, in front of which is the cascade

## Liberty Celebrated by Exposition

**T**HE Sesqui-Centennial International Exposition which will open in Philadelphia on June 1, and will continue until December 1, will not only commemorate the 150th anniversary of the signing of the Declaration of Independence, but will present an opportunity for all nations to present, through comprehensive exhibits, the progress made during the past century and a half.

These exhibits will portray the creative efforts and the productivity of man; they will epitomize the development of transportation, trade, manufacturing, finance, industry, agriculture, education, fine arts, liberal arts, mining, and social economy.

They are being collected in all quarters of the globe and will be presented in the displays of the United States and the following foreign countries: Argentina, Brazil, Egypt, Haiti, Hungary, Japan, Liberia, Nicaragua, Panama, Roumania, Spain, India, Great Britain, Holland, Germany, Austria, Denmark, France, Czechoslovakia, Sweden, Tunis, China, Persia and Cuba.

Mammoth exposition palaces providing ex-

position space of more than 1,750,000 square feet, or more than thirty-five acres are located in the midst of a tract of 1000 acres. More than twenty special buildings are now being built at the expense of outside agencies, governmental, state and commercial.

The Palace of Manufactures and Liberal Arts will contain 338,992 square feet in exhibition space, or 7.75 acres, and will portray the latest advances made in science. Intensive displays of modern methods of communication will be made. There will be shown the evolution of the telephone, telegraph, wireless and radio and every industrial agency. The visitor will likewise see revealed the manufacture of books and publications. Medical and surgical science will be afforded adequate display for an understanding of the advances made.

The Palace of Agriculture, Food and Dairy Products, now completed contains 367,592 square feet of exhibition space, or 8.35 acres. Displays of flowers, fruits, forestry, vine culture, and methods of preparing and cooking foods will be included. The growing of tobacco and its preparation for the market, the various changes that accompany the preparation of sugar cane



An aeroplane view of the stadium in which the sports events of the Sesqui-Centennial International Exposition will be held

for consumption, and the transformation of wheat and other grain into bread will be shown graphically.

The exhibit of the monumental achievements of modern engineering will be centered in the Palace of Machinery, Mines, Metallurgy, and Transportation. It will have a floor area of 493,650 square feet, or 11.3 acres, and will cost approximately \$1,250,000. The development of the automobile will be portrayed. There will be huge displays of marine engines, steam turbines, locomotives, electric engines and dynamos. Modern means of locomotion by rail, water and air will be conspicuously shown.

#### *Contests in Every Known Sport*

In the stadium, which will have a seating capacity of 150,000 and facilities for 200,000 and which is now more than 90 per cent. completed, will be enacted the exposition pageantry and sports events. Sports will play a prominent role in the program. Contests in virtually every known sport will be held. Arrangements have been made for national and international games and matches.

The musical program includes both American and foreign talent. Orchestras, bands, opera companies, and soloists will vie for the favor of music loving audiences. An "organists' organ," valued at \$150,000, one of the largest in the world, will be built for the exposition. Daily concerts

in the auditorium will be given from 12 until 1 o'clock.

A notable collection of pictures will be brought together from various parts of the world. More than a thousand paintings have been promised for exhibition. These will be housed in a building devoted to fine arts.

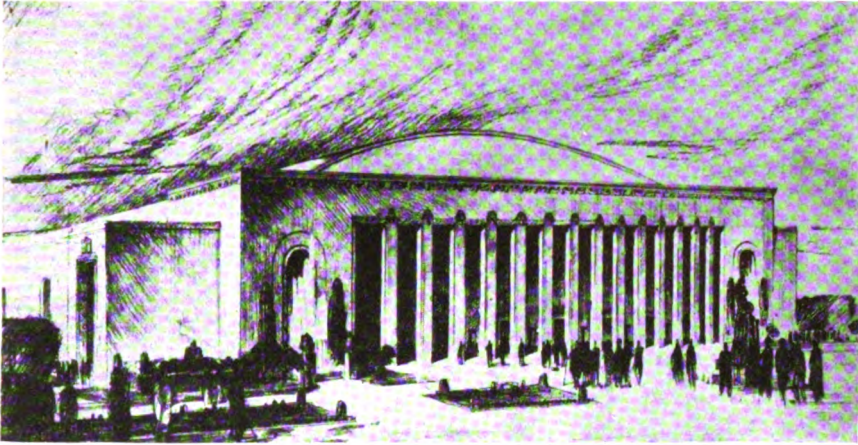
The auditorium, with a seating capacity of 20,000, will be the meeting place of many of the 190 organizations scheduled to hold their annual conventions in Philadelphia. Ideal accommodations have been provided for exhibitions, among which will be the automobile show, aviation show, international poultry show, and the Sesqui-Centennial dog show.

A city of towers, minarets and lights will be revealed in the pastel tinted stucco buildings. Architectural influences tend toward the Assyrian and Babylonian in the columns, friezes, and symbolic features.

A local Hollywood will be erected by the motion picture industry. Cinema stars will make actual pictures before an audience of exposition visitors. These will later be released upon the screen at the exposition.

#### *The Gladway; the Center of Amusements*

The Gladway will be the center of amusements. The waterways will consist of miles of winding streams and broad peaceful lagoons. Singing gondoliers will ply the waters in Venetian gondolas. Along the shores of the lakes and waterways will be



The auditorium of the Sesqui-Centennial Exposition. It will have a seating capacity for 20,000 people

restaurants, pavillions, and rest places.

Among the features of foreign participation will be the Taj Mahal which will be erected in connection with the Indian exhibit; a reproduction of a Roumanian village; and a Spanish Pavilion, in which will be exhibited specimens of Spanish art.

Aviation will be one of the important and interesting features of the Sesqui-Centennial. It will mark the first time that flying will be a regular daily feature. Two flying fields, one of 120 acres and another of 90 acres, will be used in connection with the Philadelphia Navy Yard flying field. Altitude, distance, and endurance tests are scheduled for participation by notable aviators. The National Aeronautic Association recently accepted the invitation of exposition officials for the national air races to take part in September.

#### *Women to Have Large Part*

Women of Philadelphia and the nation will take an active and prominent part in the exposition. The Women's Board of the Sesqui-Centennial International Exposition under the chairmanship of Mrs. J. Willis Martin, will reproduce a section of High street, now Market street. This will represent the contribution of women throughout the country. Not only will it be a duplication of Philadelphia as it was in the time of William Penn, but it will portray the twentieth century activities of women in an eighteenth century setting.

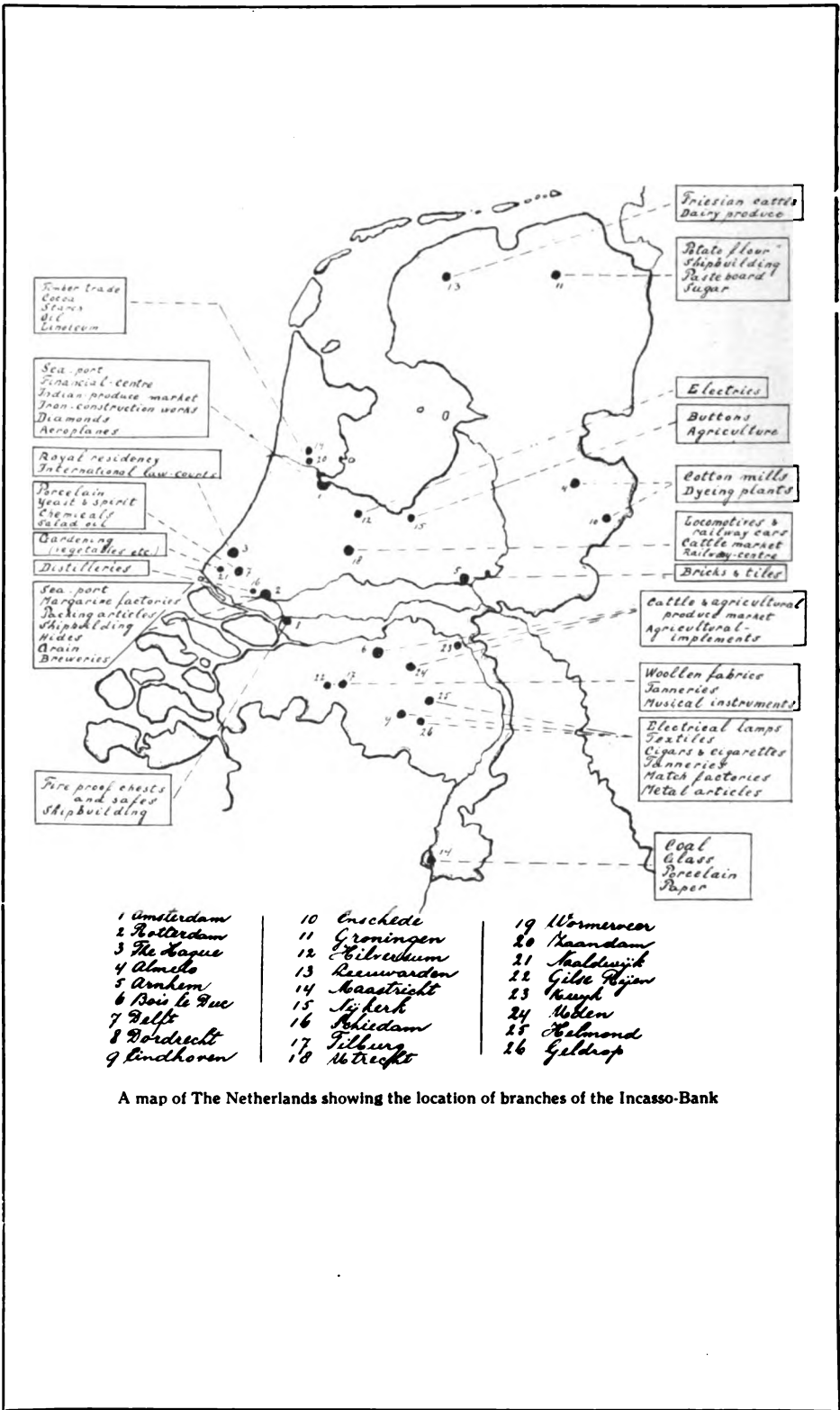
The visitor will see an accurate reproduction of the house in which Washington

lived when in Philadelphia. Close by will be the home of Robert Morris. Journeying yet a little further, the visitor may enter the home of Benjamin Franklin. The Franklin shop, where Benjamin Franklin experimented with typesetting and book-binding; the counting house where Stephen Girard made his notes; and the house where Thomas Jefferson drafted the Declaration of Independence will be among the interesting features of the exhibit.

The proximity of the Philadelphia Navy Yard, one of the largest units of the Government's naval forces, will cause this to be one of the most interesting side-lights of the exposition. It is located adjacent to the southern part of the exposition and contains many objects of interest to the visitor. The largest naval aircraft factory in the world, and the largest dry-dock and facilities for building armed sea craft are situated there.

The large force of sailors and marines stationed at this point will be augmented in order to present drills and displays of the ability of our sea forces. A recent congressional appropriation will be utilized in connection with the Navy's participation.

A military camp covering forty acres has been set aside for troops to be stationed at the exposition grounds during the course of the celebration. Programs have been arranged for reviews, military parades, sham battles, and similar events.



A map of The Netherlands showing the location of branches of the Incasso-Bank



Old premises of the head office of the Incasso-Bank at Amsterdam

## History of the Incasso-Bank, Amsterdam

### Beginning in 1891 with One Office, Now Has Branches in Twenty-six Cities in The Netherlands

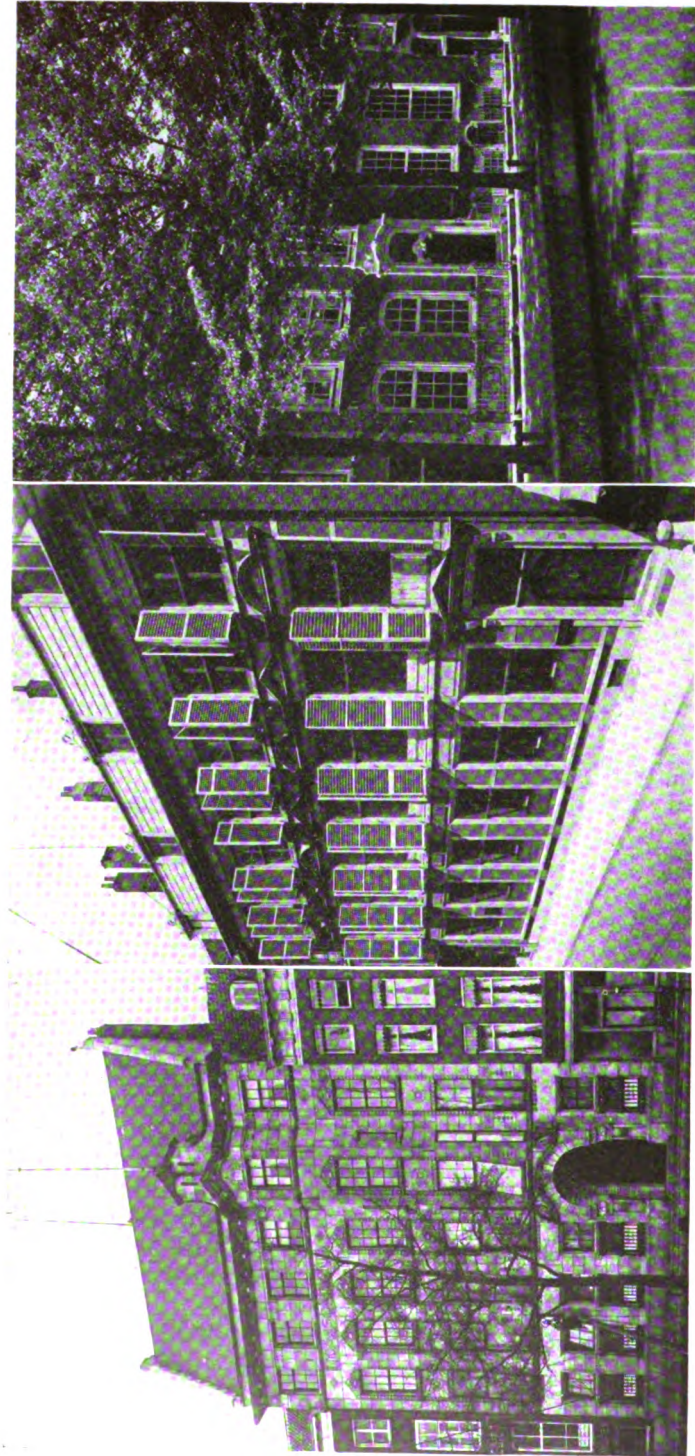
**T**HE Incasso-Bank was founded at Amsterdam in 1891, to take over the banking business formerly conducted by the firm of Goedewaagen & Co. Goedewaagen & Co. were also brokers, so five years later, in 1896, the bank took over also the stock business of that firm. It was not until 1903, however, that the bank embarked on the policy of establishing branches. In that year a branch was established at Rotterdam. In 1907, a second branch was established, this one at Almelo. Then intervened a period of ten years, followed in 1917 by the opening of branches at Dordrecht, Arnhem, The Hague, Zaandam and Delft, through the amalgamation with the banking firms of de Koning & Co., N. V. Crediet, Deposito & Effektenbank, Provinciebank, and M. le Grelle & Co. In 1918, the bank took over the Nederlandsche Credietvereniging, and the Bank voor Handel en Belegging, at Arnhem, establishing branches in Arnhem, Utrecht, Nykerk, and Wormerveer. In 1919, Wiegman's Bank, Amsterdam, was merged with

the Incasso-Bank, and the offices of the former at Hilversum and Maastricht taken over. In 1920, the Hilversum branch took over the business of Perk & Everts; the bank took over the Provinciale Bank, Bois le Duc; and branches were opened at Enschede, Bois le Duc, Tilburg, and Leeuwarden. Branches were opened at Groningen and Eindhoven in 1922, and a branch at Schiedam in 1924.

The bank now has branches in all the principal ports, financial and commercial centers, and in the industrial and rural districts of The Netherlands, as is shown by the map on the accompanying pages. In the more important cities, there are a number of branches; eleven in Amsterdam, two in Rotterdam, and three at The Hague.

Another idea of the growth of the bank is given in the statements of the bank as to capital, earnings from various sources, and dividends. At ten year intervals, they have been as follows:





Left to right : Branch offices of the Incasso-Bank at Rotterdam, The Hague, and Delft



New building of the head office of the Incasso-Bank at Amsterdam

| Year | (in florins) |                           |           |                              |           |        |
|------|--------------|---------------------------|-----------|------------------------------|-----------|--------|
|      | Capital      | Collection and commission | Interest  | Stock business foreign bills | Expenses  | Div.   |
| 1891 | 104,000      | 3,686                     | 4,074     | 641                          | 3,313     | 4%     |
| 1900 | 4,000,000    | 74,601                    | 341,215   | 140,789                      | 142,038   | 6 7/8% |
| 1910 | 8,000,000    | 225,153                   | 788,882   | 199,344                      | 480,497   | 6 1/2% |
| 1920 | 25,000,000   | 1,658,643                 | 3,712,029 | 2,513,683                    | 3,370,950 | 9%     |
| 1924 | 25,000,000   | 1,447,852                 | 3,755,618 | 1,315,467                    | 3,079,056 | 6 1/2% |

The name Incasso-Bank means, in English, "collection bank," but the bank by no means confines itself to this class of business alone. Of course, the collection department is still a prominent and important part of the bank, but the bank also has facilities for all that pertains to a complete modern banking business. These include a merchandise department to assist in financing foreign merchandise business by clean and documentary commercial credits and drafts, and to furnish information regarding foreign trade, markets, names of buyers, credit ratings, tariffs, export methods, etc.; a foreign exchange department; and a stock department.

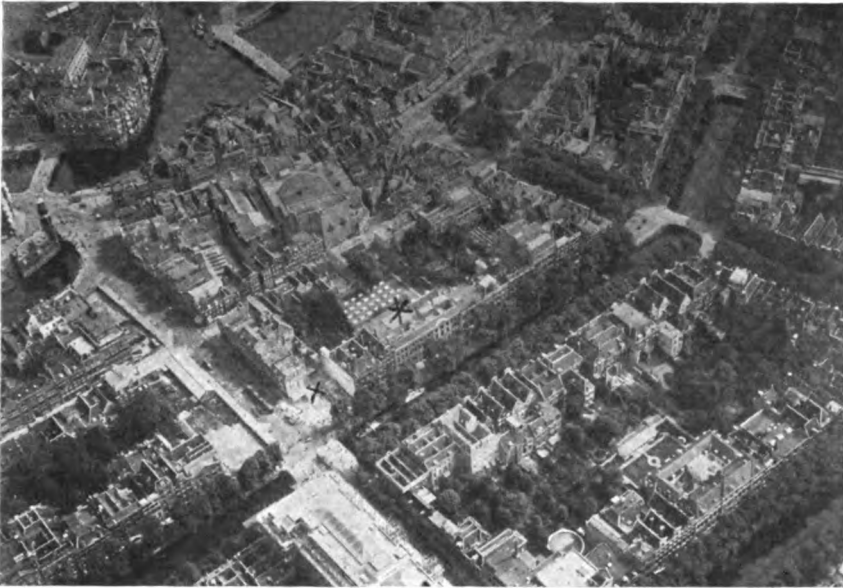
This last-named department compiles and publishes, at regular intervals, a review of the Amsterdam stock market, giving information on the course of affairs on the stock market, and in regard to general financial and economic subjects which, in

a measure, influence the market. It has been noticed that there is a keen interest in other countries in stocks and bonds quoted on the Amsterdam Stock Exchange, both for investment and arbitrage purposes. Hence, the bank has the review translated into several other modern languages, and sends copies to interested persons without charge.

The quarters of the head office at Amsterdam have been considerably extended lately, through the completion in September 1925, of a new building at the corner of Heerengracht and Vyzelstraat. The building is located in the immediate vicinity of the old premises, as shown in the bird's-eye view of Amsterdam on another page, showing the location of both buildings. Both are in the center of the city. Some views of the buildings are shown on accompanying pages.



Top to bottom : Branch offices of the Incasso-Bank at Utrecht, Gronigen, and Amsterdam (in the Diamond Exchange Building)



A bird's eye view of a part of the City of Amsterdam. The asterisk marks the location of the old head office of the Incasso-Bank, and the cross indicates the site where the new building has been erected

A number of the branches of the bank are also shown. The map on page 636 gives an idea of the Incasso-Bank's position in the domestic economic life of The Netherlands, through these branches.

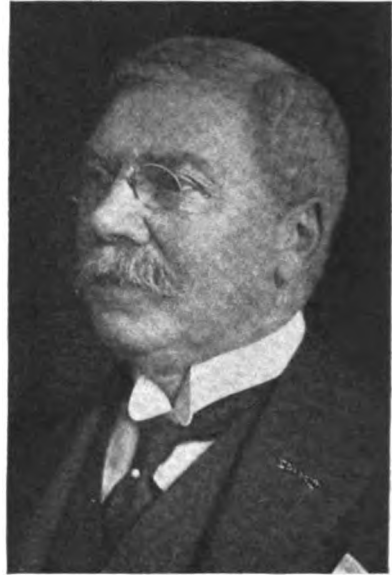
It gives also an idea of the foundations underlying the bank's intercourse with foreign countries. First of all, there are the old international connections of The Netherlands, resulting from the ocean traffic



The directors' room of the Incasso-Bank, Amsterdam



Entrance to the safe deposit vault of the Incasso-Bank, with the vault door open in the background



K. G. GOEDEWAAGEN  
Knight of the Order of the "Nederlandsche Leeuw," founder of the Incasso-Bank, who died on August 31, 1924

through its ports, and its colonial produce sales. Amsterdam has always been more or less of an international financial center, and its position has been specially developed during and since the war. Finally, the various Dutch industries purchase important quantities of their raw materials abroad, and the manufactured products are to a considerable extent re-exported. The bank is very fortunately located to finance a great deal of the trade thus coming to The Netherlands.

H. M. Roelofs, K. G. Goedewaagen, and L. F. A. M. van Ogtrop are the managers. The board of directors is composed of: Chr. P. Van Eeghen, chairman, Th. M. Verster, E. Ten Cate, I. E. Vita Israel, H. W. Van Marle, Junior, Jan Ter Meulen, P. P. Wiegman, C. T. Goedewaagen, F. Fockens, C. P. Zaayer, W. Kaars Sypsteyn, and J. F. Van Hengel.

The balance sheet of the bank, as of December 31, 1925, is as follows:

|   |                      |
|---|----------------------|
| Share capital .....   | 25,000,000.00        |
| Reserve fund .....  | 6,111,700.00         |
| Deposits .....  | 33,294,069.10        |
| Deposits against collateral .....                                       | 3,287,707.76         |
| Current accounts .....  | 29,620,422.52        |
| Balances at bankers abroad for customers' account .....                 | 3,775,858.96         |
| Acceptances, as per contra .....  | 12,686,714.56        |
| Loans taken on securities .....   |                      |
| Local bankers' account .....  | 2,086,359.20         |
| Balance of securities to be received from inland and abroad .....       |                      |
| Loans at short date on securities, put out for customers' account ..... | 3,882,000.00         |
| Sundry accounts .....   | 3,232,863.90         |
| <b>Cash on hand and balances at local bankers .....</b>                 | <b>5,333,438.01</b>  |
| <b>Balances at bankers abroad .....</b>                                 | <b>4,025,367.43</b>  |
| <b>Balances at bankers abroad for customers' account .....</b>          | <b>3,775,858.96</b>  |
| <b>Advances on securities .....</b>                                     | <b>28,128,089.32</b> |
| <b>Current accounts .....</b>   | <b>34,967,721.00</b> |
| <b>Liabilities of customers on acceptances as per contra .....</b>      | <b>12,686,714.56</b> |
| <b>Balance of securities to be delivered to inland and abroad .....</b> | <b>1,346,658.75</b>  |
| <b>Bills discounted .....</b>   | <b>26,911,239.01</b> |
| <b>Securities and syndicates .....</b>                                  | <b>2,700,031.15</b>  |
| <b>Bank premises, furniture etc. ....</b>                               | <b>4,002,577.81</b>  |

# History of the Ionian Bank Limited

It was while the Ionian Islands as the United States of the Ionian Islands were under the protectorate of Great Britain (from 1815 to 1864) that the Ionian Bank was organized. Sir Howard Douglas, who served as British High Commissioner from 1835 to 1840 found the farmers being exploited in a pitiless manner by the money lenders, and immediately set about to remedy this. Due to his efforts a committee of influential business men was formed in London in 1837, which committee decided to found a bank on the islands. The service which Sir Howard rendered in agitating for the bank, as well as his other services to the inhabitants were recognized on his departure by the erection of a statue at Corfu in commemoration of his official connection.

The bank was formed, formally recognized by the Senate of the Ionian Islands and confirmed by the High Commissioner on October 23, 1839. Thus it became the bank of issue for that territory. It opened for business at Corfu on March 1, 1840, and in May of the same year began expanding by opening an agency at Cephalonia. In October, 1840, another agency was opened in Zante. It was not, however, until January 18, 1844 that a Royal Charter was granted to the bank by Queen Victoria. From this time on the bank occupied a position which is probably unique—a purely British bank operating under a Royal charter, and carrying on business in a foreign country (Greece) in a manner similar to that of the native institutions; for even before the Ionian Islands were surrendered to Greece, the Ionian Bank had opened up operations with the mainland by establishing agencies at Patras and Athens.

The British Protectorate over the islands ceased after the signature of the Treaty of London in 1864, but that treaty specifically provided that the privileges previously accorded to the bank should be maintained. From 1864 the Greek Government established definite relations with the bank, and with the exception of the National Bank

of Greece, no other banking institution has taken so important a part in the affairs of that country. Relations with the National Bank of Greece have always been friendly, and their co-operation took a practical turn in 1868 when the two institutions joined forces to oppose the governmental financial program. The Ionian Bank Limited had the right of note issue in Greece up to 1920, when, by the terms of its last convention with the Greek State, this privilege was given up to enable the Government to carry out its policy of unifying the note issue of the country.

## *Recent Foreign Expansion of Bank*

In recent years the bank has extended its organization considerably outside of Greek territory. In 1907 business was opened in Egypt, and today the bank has a central office for that country in Alexandria and a chain of agencies covering the most productive areas of the delta and upper Nile cotton belts. The bank has a very large part in the movement of the Egyptian cotton crop.

In 1922 the bank entered Turkey, taking over the business of the Constantinople office of the Guaranty Trust Company of New York. Later another agency was opened in Stamboul.

At the present time a representative of the bank is in the United States, with a view to extending its business here, especially the handling of immigrants' remittances.

The capital of the bank was recently increased from £485,000 to the full authorized limit of £600,000, the new shares being offered the present stockholders exclusively. The subscriptions received were many times in excess of the amount offered. This is not surprising, for the bank has not missed a dividend payment since its organization, and dividends in recent years have been 7 per cent. or over. The resources of the bank at the present time are in excess of £6,500,000.



At top, head office of the Bank of Scotland, Edinburgh; center, a view of Princes street, Edinburgh; bottom, the Broomielaw Bridge, Glasgow



High street, Edinburgh

# Scotland—Its Varied Attractions And Its Banking History And Progress

By F. H. Allan

Secretary Institute of Bankers in Scotland

**S**COTLAND is a small country, but its traditions are great and its interests varied. Viewed historically it bulks largely in the story of the British Empire and the ubiquitous Scot is identified with every land and clime. He has played an important part in the shaping of America itself, and a census of its population would reveal an astonishing percentage with both direct and indirect connections with that little country of some 30,000 square miles.

From the physical point of view, the variety is evident when it is remembered that there are 787 islands and twenty-six rivers identified with the Scottish survey. Few places are more than forty miles distant from the sea, but population is for the most part centered in the belt of country watered by the Forth and Clyde. Northward and southward mountains predominate and in both directions the country is largely agricultural and pastoral. With nearly 500 square miles of foreshore, fishing is also an important industry.

## *Touring in Scotland*

The overseas visitor who includes Scotland in his holiday scheme will find little difficulty in overtaking most of its show places within the compass of a week or two. Should he elect to make Glasgow his port of disembarkment he will already have had his initiation in the beauties of Scottish scenery as the vessel proceeded to her moorings up the sixty miles of estuary which spans the distance from the Atlantic seaboard. Should he choose Liverpool a run of a few hours in a well appointed train will bring him to the same destination. From Southampton the distance to Glasgow can be easily covered in a day. All the main towns in Scotland are in fact easily accessible from all the Atlantic termini. A counsel of perfection would probably select Glasgow as the starting point in a Scottish tour and a circular route may at this stage be outlined.

From the purely scenic point of view,





At top, Kilchurn Castle, Loch Awe ; center, Jedburgh Abbey, from the river; bottom, Brig o' Doon, Ayr  
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the Western Isles probably offer the greatest attraction. An hour's run or less from Glasgow terminates at Greenock from which between May and September a well regulated steamboat service carries passengers through the far famed Kyles of Bute to Loch Gilphead a quaint little highland town situated on a branch of Loch Fyne. A transfer is here made to the Crinan Canal, and a short run across the peninsula of Argyll finishes at Crinan itself from which another steamer transfers the passengers to Oban the main tourist center of the Western Isles. Daily excursions from this point are made during the season to Iona, Staffa, Mull and other islands. Having exhausted local claims, the next move would be an early morning sail to Loch Linnhe where dominated by Ben Nevis will be found the southern outpost of the Caledonian Canal. A chain of lakes from this point joins the western to the northern Highlands, and the journey by boat to Inverness is extremely beautiful. Inverness itself is equipped with excellent hotels, and from this point many subsidiary journeys may be undertaken according to the time and taste of the traveller. The Battlefield of Culloden; Fort George; Elgin Cathedral; Cromarty with its literary traditions are all within easy distance.

From Inverness the journey to Aberdeen is short and easy. The Granite City has its own indefinable charms. From its broad castle gate motor excursions are daily run



Kelso Abbey

to Ballater and Braemar, and if a holiday coincides with September the Highland Gathering held under the patronage of Royalty is an added attraction. Balmoral Castle the holiday residence of King George V is a feature of the landscape near Braemar, and many other baronial piles associated with the history of the clans will be found attractive. From Aberdeen a run of four hours down the East Coast with a break at Dundee—the third largest



Abbotsford, the garden front



Iona Cathedral

city in Scotland—leads via the Tay Bridge and Forth Bridge to Edinburgh, the capital of Scotland, by general consent the most beautiful city in the United Kingdom.

### *Edinburgh*

The praises of Edinburgh have often been sung and there must be few people who having once visited it do not wish to visit it again. Edinburgh is unique. More than any other capital in the world perhaps it expresses with a silent dignity and beauty the great features of national history. Great names in the history of European culture are identified with its wynds and closes and many of its mighty men rest in its old world burying grounds. Napier of Merchiston, David Hume, Adam Smith, Smollet, Burns, DeQuincey are all intimately linked with Edinburgh tradition. Sir Walter Scott is her proudest product, and Robert Louis Stevenson, the last great name hitherto in her literary calendar, had an affection for the city of his birth which even the Isles of the Pacific could not supersede.

The character of Scotland is written on her stones and the national history as nowhere else. No one visiting Paris can form any idea of the Paris of say Francis I or Henry III. The city has changed. It has been remodelled. Its complexion is no longer the same. Not so Edinburgh. Its

physical formation does not admit of change, and the Royal Mile which links the Castle on the rock to the Royal Palace of Holyrood preserves its individuality after long centuries. There is scarcely any epoch in Scottish history that has not left its mark and its reflection on the stones of the old town.

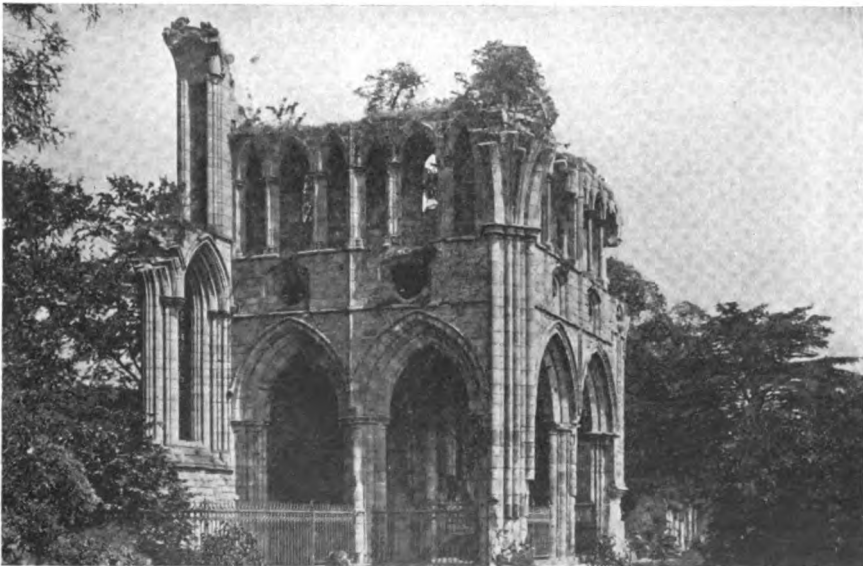
The new town of Edinburgh is an outgrowth and expansion of the ancient city. If Edinburgh be viewed as a circle, the diameter would constitute the original part and the modern city would be found in the numerous spokes which radiate from the center to the circumference. The old Mercat Cross still stands sentinel beneath the shadow of the old Cathedral of St. Giles the crown of which forms a landmark over a wide range. In the troublous times of the Fifteenth and Sixteenth Centuries the honest burghers sought protection within the walls and under the shelter of the Castle guns, and as in Paris today the entrances to the city are still well defined. The Cowgate, the West Port, Bristo Port, the Netherbow, the Canongate are all survivors of a distant past. Princes street, George street, Frederick street, Charlotte street, Hanover street are Georgian in their derivation and significance. But Edinburgh must be seen to be understood, and no one who has seen it will ever lose the impression created in contemplating its charm and natural beauty.

There is a common impression abroad that when one has done the Highlands and the strath of northern Scotland and seen the view from Stirling Castle, with perhaps a hurried visit to St. Andrews and a browse among the wynds of Edinburgh, he may fold up his map and seek new pastures, but no visit to Scotland would be complete which failed to undertake the tract of country which lies between Edinburgh and the Scottish border. The ruined Abbeys of Melrose, and Kelso, and Jedburgh, all eloquent of a glorious past, and the shrine at Dryburgh where Sir Walter Scott was laid to rest nearly a century ago, cannot be omitted, nor perhaps can lone St. Mary's Loch with its reminiscences of Border Poets, nor Dumfries which holds the dust of Burns, nor Ecclefechan which gave Carlyle to the world in 1795 and received him back again in 1881. The border tombs would preserve much of the history of Scotland even if her written records were swept away. In Melrose and Dryburgh we can still read the names of abbots and friars who heard the tidings of Bannockburn and said masses for the gallant sons of Scotland who fell at Flodden, and Tweed wandering seaward, charms us with its music as probably no other river can, for its ripple inspired the music of the Minstrel King and all men pay homage in the halls of Abbotsford.

### *Commercial Progress*

So far, our narrative has taken account of Scotland mainly in its geographic and artistic aspects, but if the visitor happens to be a business man his interests will no doubt include the commercial aspect of Scottish progress, and if a banker, the rise and growth of her great financial institutions. The four leading cities in point of size—Glasgow, Edinburgh, Dundee and Aberdeen—among them may be said to focus the business life of the community. The first named is, of course, easily the leading center of trade, and its great engineering works, its shipyards, its factories, and mills, its steel works, and its mines hard by, are all readily available for inspection by the tourists who is interested.

The commercial expansion of Glasgow may be said to date from the Union in 1707. At that time its population was round about 12,000. A century later it had grown to 77,000. Today the population is well over a million and if the population of the contingent area be reckoned another 500,000 will easily be accounted for. The County of Lanark, which contains the Clyde from source to estuary, with its rich coal fields, is easily the most populous division of Scotland, and the census of 1921 showed a population amounting to 1,539,442. The County of Inverness, which is more



Dryburgh Abbey and tomb of Sir Walter Scott

than four times the area of Lanark, has only a population of some 80,000. North of the Forth and Clyde Canal the country is mainly agricultural and pastoral, with fishing as the staple industry of the coast towns. Dundee has, of course, a long connection with the jute trade and Aberdeen, in addition to its curing stations, has a large business in paper and implement making.

So far as Edinburgh is concerned, its fame and reputation may be said to rest primarily on its great medical school which attracts annually large numbers of students from all parts of the world. Edinburgh's place in scientific progress is a theme whose adequate treatment is beyond the capacity of any single writer. In addition to its academic activities, Edinburgh is also the seat of the law courts and the ecclesiastical headquarters. Five of the Scottish banks have their head offices in Edinburgh as well as several insurance companies, and St. Andrew Square, with which the majority are identified, has been claimed to be the richest square in Europe. The funds represented by these great institutions run into many hundreds of millions sterling. The native industries of Edinburgh are many and varied—printing, paper making, brewing and engineering employing a large proportion of its population. The relationships of Edinburgh with Glasgow are, of course, very intimate, and an hourly train service covers within that time the forty-six miles which divide the two cities. The journey to London occupies eight hours from both cities. South of Edinburgh, the pastoral nature of the country is reflected in the woolen mills and skinneries which are outstanding landmarks of the leading border towns. Auction marts for the sale of sheep and cattle are also to be found in most of them.

#### *The Scottish Banking System*

The banking system of Scotland is an outgrowth of its commercial development, and industrial progress is clearly reflected in its banking history. In the course of our narrative we have traced in bold outline the growth of the country from a semi-barbarous state through its long struggle for self-expression—its religious conflicts and its seventeenth century awakening to the commercial possibilities made possible by the Union in 1707. The period has been called "The Age of Secular Interests" and

the requirements of the times took practical shape in the establishment of the Bank of Scotland by Act of Parliament in 1695. Prior to that time the banking business of Scotland, such as it was, had been conducted by the goldsmiths and craftsmen, many of whom like the famous George Heriot, combined a bill-broking trade with their other interests.

The Bank of Scotland owed its origin to some patriotic Scots in London and John Holland was its first governor. In 1727 the monopoly of the old bank came to an end and the Royal Bank of Scotland, which grew out of the old Equivalent Company, received its first charter. More than a century passed before the third of the chartered banks made its appearance, this time, however, the new competitor was a linen company whose avowed purpose was the development of this particular industry. A few years, however, saw linen subservient to banking and a note issue which dates from 1750 would imply that the British Linen Company was at an early stage of its career a keen competitor for banking business although it was not until a century later that the charter was obtained which raised it to the status of a fully fledged banking corporation.

It is interesting to note that Edinburgh was the birthplace and for long the sole center of banking enterprise. Glasgow had no banks within her borders prior to 1750, her modest needs being supplied by the "Virginia Dons"—or Tobacco Lords as they were called—merchant bill brokers whose names still survive in several of the thoroughfares of the city.

The Commercial Bank of Scotland, which ranks fourth in seniority, dates from 1810, and the National Bank of Scotland was established fifteen years later. Both these banks were called into being through the demands for extended facilities on the part of the business community. The Union Bank of Scotland, as its name implies, is a fusion of many smaller concerns—the Ship Bank, the Glasgow Arms Bank and most notable of all, the private banking house of Sir William Forbes which had its headquarters in Edinburgh. The North of Scotland Bank dates from 1836 and the Clydesdale Bank from 1838. Those eight banks of issue among them conduct the banking business of Scotland. The three chartered banks, the Commercial Bank and the National Bank have their head offices in Edinburgh. The Union



Forth Bridge, near Edinburgh

Bank has two head offices, the principal office being situated in Glasgow, which is the seat of the administration, and the other being in Edinburgh. The Clydesdale Bank head office is also in Glasgow, and the North of Scotland Bank has its head office in Aberdeen. During recent years four of the Scottish banks, viz., the British Linen, the National, the Clydesdale and the North of Scotland, have become affiliated with London clearing banks. The Bank of Scotland, the Royal Bank, the Commercial Bank and the Union Bank remain independent institutions. The banks among them, in addition to their head offices and their London offices, operate at over 1600 branch establishments in Scotland.

This widespread system is made possible through the note issue monopoly which Scottish banking enjoys and which enables the banks to keep as till-money their own particular issues. The authorized circulation as fixed by Act of Parliament in 1845 is in all £2,676,350 but the *actual* circulation is round about £20,000,000. The balance of circulation over the authorized limit is secured by coin held at the principal place of business, supplemented by government treasury paper ear-marked at the Bank of England against the excess. Although the country is now on a gold standard, the circulation of gold coins is no longer the order

of the day, a paper currency based on gold being the medium now employed, and likely to continue.

The total deposits of the banks in Scotland are round about £250,000,000. With the single exception of the North of Scotland Bank, all the banks in Scotland publish annual statements showing net profits and distribution. The total shown by the seven banks for 1925 amounted to £2,455,811. The stocks and shares of the four independent banks, which are freely marketable, are investments highly favored by the public and all of them stand at a high premium on the exchange lists.

#### *The Cash Credit System*

The cash credit system, inaugurated by the Royal Bank of Scotland in 1728, is an outstanding feature of Scottish banking. A cash credit is a drawing account created in favor of a customer upon which he operates precisely in the same manner as upon an ordinary account and pays interest at stated periods *calculated upon the daily balance at his debit*. The advantage of the cash credit system lies in the fact that a shop keeper or trader instead of keeping a large balance in his hands for day to day requirements can invest his funds in his own particular undertaking and draw upon his banker for

fluctuating needs paying interest merely on his debt from day to day.

The old bond of credit, the instrument of security at one time associated with this arrangement, is now but seldom seen, having been superseded by the less expensive and simpler letter of guarantee, but securities for advances take many forms and shapes, the widespread interest of the community in government stocks and industrial shares freely transferable for security purposes constituting a considerable proportion of securities for overdrafts.

At present the rates charged for secured advances—known as cash account rates—are  $5\frac{1}{2}$  per cent. and as the deposit rate is at present 3 per cent. the margin of profit is extremely moderate. The facilities enjoyed by the public in Scotland in respect of their banking requirements are,

as will be seen, very favorable and the strength of the Scottish banks, which grows greater year by year, has its roots in the traditional integrity which has marked the conduct of the system from the dawn of its history. The past has not been without its misfortunes, but the disasters of Scottish banking in bygone centuries have all been associated with departures from approved canons.

The system itself as happily seen in the best of working order today, is the parent of many reproductions in other lands, and the demand for Scottish trained officials to fill the posts of trust in many other parts of the world is a tribute to the nursery which shaped their ideals and sent them forth—many of them to return with honor as the shadows lengthen on the dial.



## A New Type of Farmers' Bank

How Australian Producers Run a Bank in Farmers' Interests

By F. W. Strack; F.C.I.S. (Eng.), F.A.I.S.

General Manager of the Primary Producers' Bank of Australia, Ltd.

**M**ANY countries have awakened to the need of a bank to assist agriculturists; and although there have been failures there have also been many successes. This article describes the experience of one of the British dominions in this matter.

To show the need for a special bank for American farmers, and what its advantages would be to them, I cannot do better than tell what has been done, and is being done, in another part of the world. It is not a question of theory—not mere talk of what ought to be done—but a record of actual facts. The necessity for financial assistance for the men on the land is apparent to every visitor from abroad, who is saddened by the sight of so many uncultivated acres.

### *A Modest Start*

For years the men on the land in Australia had been talking about a bank that would pay special attention to their particular needs. Nothing happened, how-

ever, until late in 1922, when a company was formed to start operations as a farmers' bank; and in March 1923, it opened its first branch in a town in the northern part of New South Wales. The paid-up capital was only £40,000, but every week shares were being sold and money was flowing in.

Within twelve months, forty-two branches and agencies had been opened in various parts of Australia. The authorized capital was increased to £4,000,000; subscribed capital to £1,500,000; paid-up to £159,000; and the profit for the year was £975. By the end of the second year the subscribed capital was £2,090,000, paid-up to £269,000, and there were sixty-seven branches and agencies open, with an office in London, while the profit amounted to £3,123.

Never in the history of Australian banking has a business been built up so quickly, and that almost entirely among farmers, against trading banks with a combined capital of over £50,000,000. This Primary Producers' Bank is proving its great use-

fulness to the country workers; and at a time (during the 1923 drought) when all other institutions were calling in loans made to farmers, the new bank was lending freely, carrying men on when they would otherwise have gone bankrupt. This farmers' bank is rapidly rising into favor in the land of its birth; the fact that its deposits increased in the second year by 300 per cent., while trading banks exhibited a gain of only 1.3 per cent. last year, demonstrates its popularity.

#### *The Bank Stabilizes Prices*

In a certain district, the growers had been accustomed to rush their produce on the market as soon as it was harvested, the resulting glut playing into the hands of the middlemen. Upon the new bank coming into the field, it offered to advance the growers 50 per cent. of the market value of the produce, and to store it at a small charge until the market could absorb it. The growers cheerfully accepted the offer and the immediate result was the stabilization of prices, enabling the grower to sell just when it suited him.

#### *Management and Advances*

As 95 per cent. of the shareholders of the bank are men on the land, they have the power to appoint their own board, which fixes the policy and assists the management in the allotment of loans. The permanent staff is composed of trained officers drawn from the trading banks.

Loans by way of overdraft are made in amounts from £20 to £5000, against various forms of security, such as mortgages against freehold land or certain leases, stock or crop liens, guarantees, bills of lading or rail receipts for produce goods in store or bond and produce in stack. In many cases, as the character of the men is considered an asset, small loans are made without security.

#### *Personal Service*

Managers have strict instructions to give every possible financial assistance to farmers in their districts, and to help them in every transaction where money is involved. As a consequence, we have managers who have assisted greatly in the choosing of plant and machinery, and in the decision as to the most suitable crops to grow on particular land.

There is one instance where a local man-

ager's knowledge of sheep was such that farmers came to him for advice as to the stock best suited to their locality and particular circumstances. In short, the man-



F. W. STRACK

General manager Primary Producers' Bank of Australia Ltd., London, the author of several books on various aspects of banking; and F.C. I.S. (England) and F.A.I.S. (Australia)

agers of a farmers' bank are the friendly and disinterested advisers of everyone in the district who requires financial advice.

#### *Growing Crops*

The farmer's hardest time is usually the period immediately before his produce is ready for market, and that is invariably the time when the ordinary trading banker finds the cities must have money to build picture theaters and other luxuries. Thus the unfortunate grower of foodstuffs has to struggle along without sympathy or help, and in consequence has to rush his produce to the market at the earliest moment in order to get cash. As so many have to do this, there is a glut and a consequent fall in prices; and the farmer then finds he has worked for many weary months for a mere pittance. His own bank would change all that by studying when the demand for assistance was most needed, and making its arrangements accordingly.



*The Marketing of Produce*

The new bank assists its customers to find markets for their produce, and in its search has made personal inquiries through its staff, in possible markets as far away as 12,000 miles.

In Great Britain, of course, farmers have their markets at their very doors; but even there the producers are often at the mercy of the middlemen. A vigorous farmers' bank in that country would be of immense assistance in breaking down monopolies and rings, and in certain circumstances might even establish "floors" of its own for the sale of its customers' produce.

Hitherto producers have worked so as to make consumers pay as much as it was possible to squeeze out of them, and consumers were always eager to get produce so cheaply as to leave nothing for the labor of the producer. This is all wrong, and the closer the two parties can get together the better for everyone. This can only be accomplished by eliminating all unnecessary middlemen, many of whom are parasites, whose motto in dealing with the producers is "Heads I win; tails, you lose."

The new Australian bank does not look for big dividends, its main object being to assist farmers at the lowest possible rates of interest. The bank lends only in the country, and will not make advances on city properties. It has city branches to secure deposits; and these deposits are sent to the country to assist the primary producers without delay. Those who have money to deposit in a bank, at interest, feel that there could be no better security for money lent out by the bank than the land, for it does not disappear and will be there for all time.

*The Bank's Newspaper*

The bank has its own monthly newspaper, distributed free to customers and

shareholders. Articles of interest to farmers are published and the bank acts as go-between for farmers desiring to buy or sell farms or to exchange from one district to another. It also assists in raising loans for country road boards and county councils. The bank has banking agents in many countries and negotiates drafts against produce to all parts. It remits moneys to all parts of the world, and in brief does the same kind of business as other banks, plus giving particular assistance to producers, taking charge of their exports and assisting in the marketing of the exports in Europe.

*Bank Shares*

The sale of shares formed the first capital of the Primary Producers' Bank, and the same course could be followed in the establishment of a farmers' bank for any country. Before the bank began operations it was confidently predicted that no one would take shares, yet before the doors opened some thousands had been sold, and at a premium of £1 per share. They have been sold regularly ever since, some 450,000 having been disposed of in three years. They are £5 shares, in addition to £1 premium; only £1 per share of the capital is being called up with the premium; and about eight months is allowed for payment of the £2.

A strong farmers' bank should, in time, be able to influence the Government sufficiently to demand that interest on mortgages on land and crops should be free of taxation, thus making such investments doubly attractive.

In conclusion, I would say: "Farmers, your fate is largely in your own hands. Establish your own bank, and do not wait for the Government to help you, for politics are no use to a bank."

**I**N the interest of a more equitable distribution of wealth, a higher standard of life, and human welfare generally, it is important for us all to understand that certain economic laws are neither moral nor immoral; they are inexorable. To accept them as such is the first business of any one who would serve his fellow men.

—Foster and Catchings.

# A Program of Nation-wide Interest

**T**OPICS of foreign trade policy and practice affecting every section of the United States will be discussed at the 1926 National Foreign Trade Convention by speakers of nation-wide prominence in business affairs, it was announced by O. K. Davis, secretary National Foreign Trade Council, in making public the complete program of the convention. The meeting place is Charleston, S. C., on April 28, 29 and 30 next.

James A. Farrell, chairman of the National Foreign Trade Council, will open the convention with an address on "The Foreign Trade Outlook." The gathering will bring together 1500 foreign trade executives from more than thirty states and is the first large convention of the kind ever held on the south Atlantic coast.

An outstanding event of the occasion will be an address by Henry M. Robinson, president of the First National Bank of Los Angeles, on "The European Situation of 1926," which will be delivered in the second general session on April 29. "It is a noteworthy tribute to foreign traders," declares Mr. Davis, "that an outstanding authority like Mr. Robinson should travel 3000 miles to make an address at our gathering. Yet an honor similar to this has been accorded us each year, and is due to the fact that the council first selects the topics which have the most practical bearing on foreign trade conditions of the year and then invites as a speaker the man most qualified to discuss them."

The foreign traders will also hear from C. C. Martin, credit manager National Paper & Type Co., New York, what foreign business men have been saying for the last few years about the concrete effects of American competition abroad. Mr. Martin's address on "Making American Competition Effective" is the closing speech of the convention. Other important addresses on themes of widespread public interest will include: "The Import Element of our Foreign Trade," a frank discussion of our sources of supply for American manufacturers, by Fred I. Kent, vice-president Bankers Trust Company, New York; "Building Trade Through Foreign Loans" by Paul J. Kruesi, president Southern Ferro Alloys Company, Chattanooga; "The Prob-

lem of the Far East," by Dr. Jeremiah W. Jenks, former adviser to the Government of China; and "Communications—The Electric Nerves of Trade" to be delivered by John L. Merrill, president All-American Cables Company. Mr. Merrill will speak at a luncheon under the auspices of the American Manufacturers Export Association.

The Southern manufacturers and export interests will be strongly represented at the convention and have co-operated in adding a strong southern theme to the convention.

Among the speakers on this phase of the program are: "Commercial Possibilities of the South Atlantic" by R. Goodwyn Rhett, president of the Peoples-First National Bank of Charleston, S. C., and former president of the United States Chamber of Commerce; "The South's Part in American Exports" by George G. Crawford, president Tennessee Coal, Iron and Railroad Company, Birmingham, Ala.; "Economic Resources of the South Atlantic" by Dr. Erich W. Zimmerman, professor of commerce University of North Carolina; "Inland Rate Structure of the Southeast" by Thomas J. Burke, traffic commissioner of Charleston, S. C.; and an address on the problems of cotton in American foreign trade by a leading cotton authority to be selected by the cotton associations of the southern states.

Group sessions will be held with the cooperation of the American Manufacturers Export Association, the Export Managers Club of New York, the National Association of Credit Men, and the foreign trade sections of national advertising and bankers associations.

A permanent roster of trade advisers representing every phase of national industries, trade technique and foreign market information in the field of foreign trade will be a new feature of this year's convention.

The delegates will travel to Charleston by special trains from New York, Chicago, Cincinnati, Detroit and other cities, which have been already scheduled by the Pennsylvania Railroad, the Atlantic Coast Line and the Southern Railway. A special convention ship from New York is also being planned by the Clyde Line on which further details will shortly be announced by the council.

# YORK VAULTS

## **New York Federal Reserve Bank**

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| <i>Chicago</i>      | <i>Louisville</i> | <i>Jacksonville</i> |
| <i>Minneapolis</i>  |                   | <i>Little Rock</i>  |

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| <i>Cleveland</i> | <i>Chicago</i> | <i>San Francisco</i> |                  |

# Some Recent Bank Building Operations

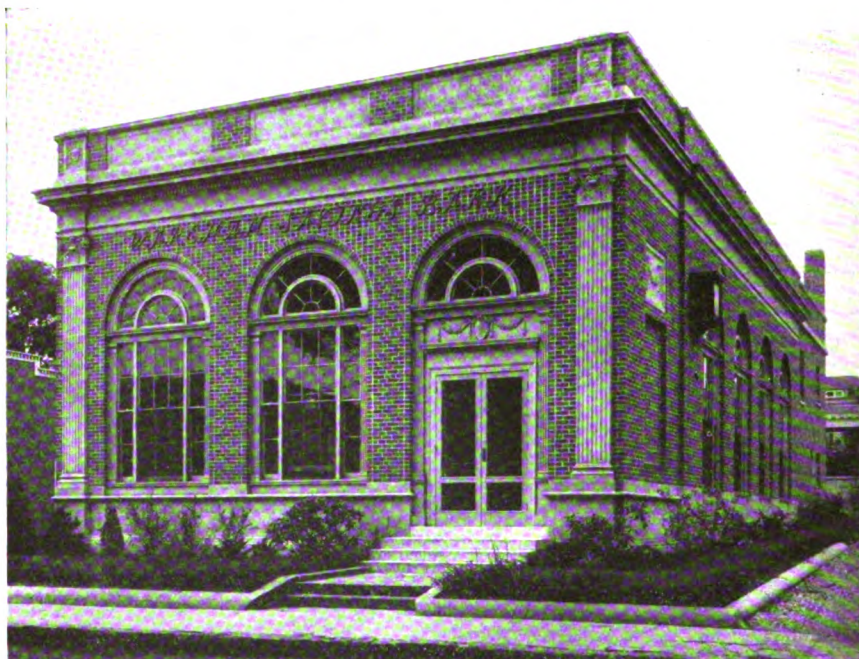
SPECIAL

**The** BANKERS  
MAGAZINE

SECTION



*The entrance to the Pennsylvania Company for Insurances on Lives and Granting Annuities, Philadelphia, Pa., the grille work for which was by Samuel Yellin. Mr. Yellin recently received the \$10,000 Philadelphia Award established by Edward W. Bok to be awarded annually to the Philadelphian "who during the preceding calendar year shall have performed or brought to its culmination an act, or contributed a service calculated to advance the best and largest interests of Philadelphia."*



*The Wareham Savings Bank, Wareham, Mass., worked out by J. Williams Beal, Sons, architects, of Boston, Mass., on Georgian Colonial lines so as to create individuality, yet employing a treatment to harmonize with New England colonial precedent.*



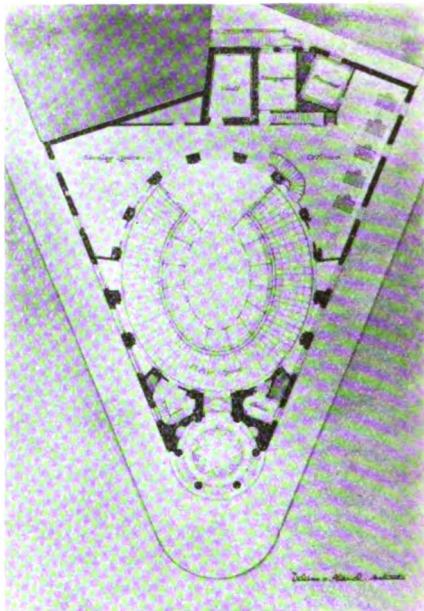
*A well lighted work space in the Federal Reserve Bank of San Francisco, Calif. The steel window casements were installed by the Crittall Casement Window Company, Detroit, Mich.*



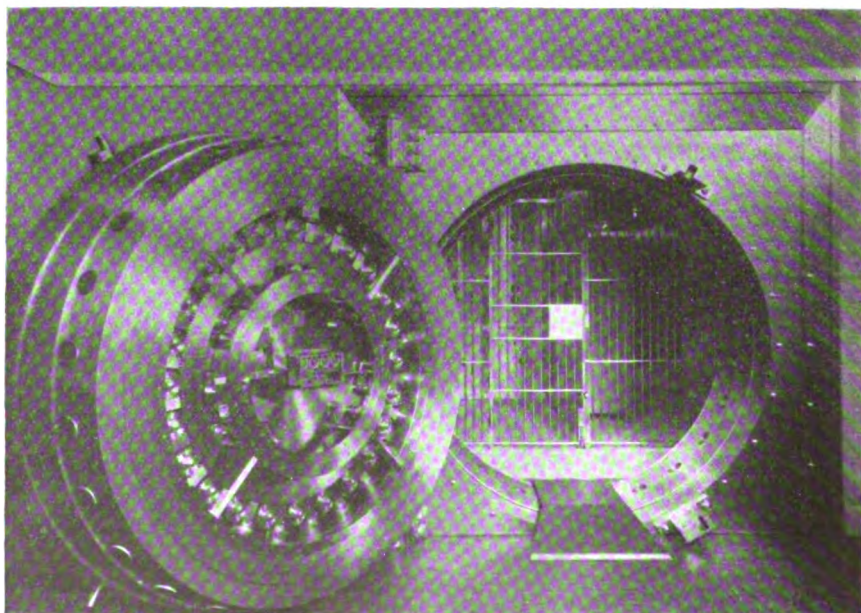
*The S. M. Damon building, the home of the Bishop Trust Company, Limited, and the Bank of Bishop and Company, Limited, both of Honolulu, T. H. The two institutions occupy the main floor of the bank, separated only by a bronze grille. The Bishop Trust Company, Limited, also uses a part of the second floor of the building.*



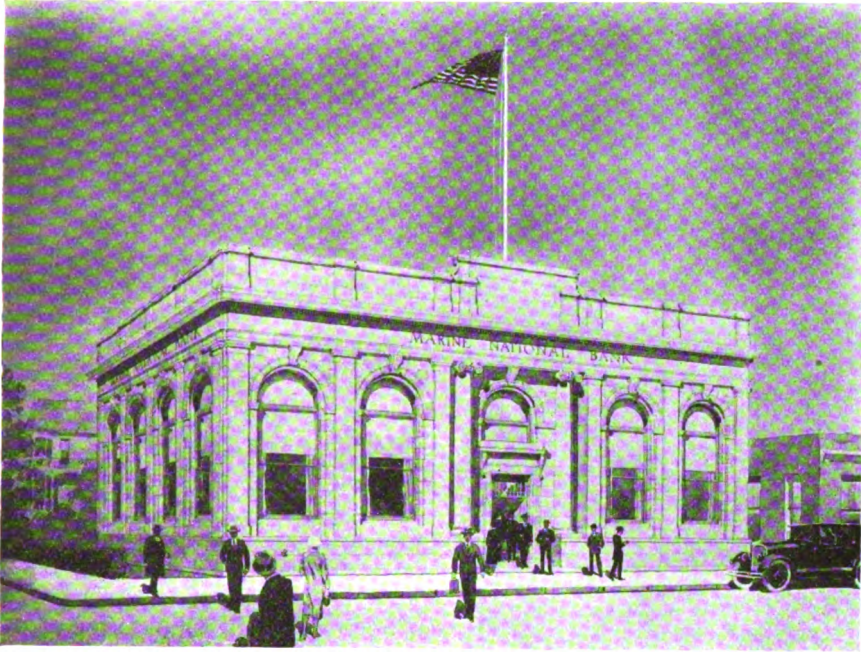
*Main entrance to the safe deposit vault of the Bishop Trust Company, Limited, Honolulu, T. H., built by the York Safe & Lock Co., York, Pa. The vault has 2000 safe deposit boxes and a capacity of 6300. The 23-ton door is the largest safe door ever brought into the Hawaiian Islands.*



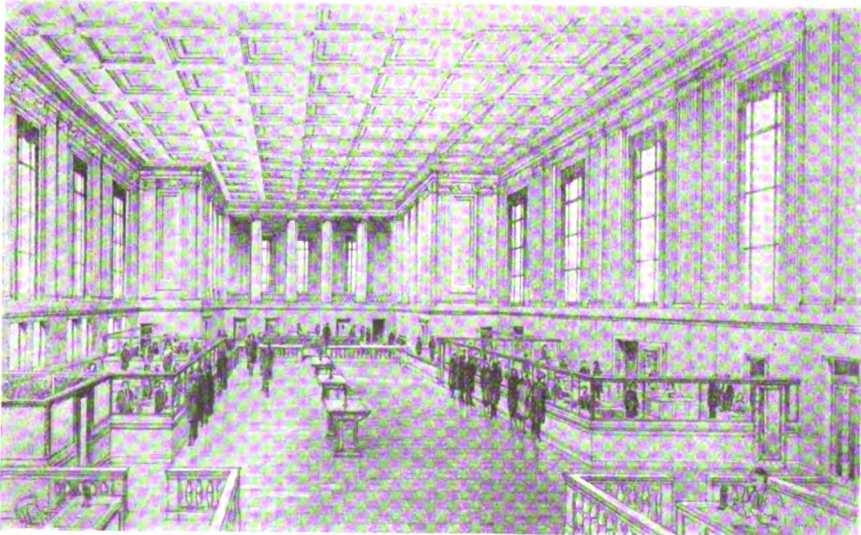
*The Staten Island Savings Bank, Stapleton, S. I., designed by Delano & Aldrich, architects, New York. The floor plan at the right shows an interesting utilization of a triangular shaped plot of land. The cages are in the center, with the public space in an arc almost completely surrounding them.*



*Twenty-six ton door to the safe deposit and security vault of the Danbury National Bank, Danbury, Conn., manufactured and installed by the Herring-Hall-Marvin Safe Co., Hamilton, O., and New York, N. Y.*



*The architects' drawing of the re-designed and enlarged building of the Marine National Bank, Wildwood, N. J., to be erected this spring. The building was designed by and will be constructed under the supervision of Morgan, French & Co., Inc., bank architects and engineers, New York.*



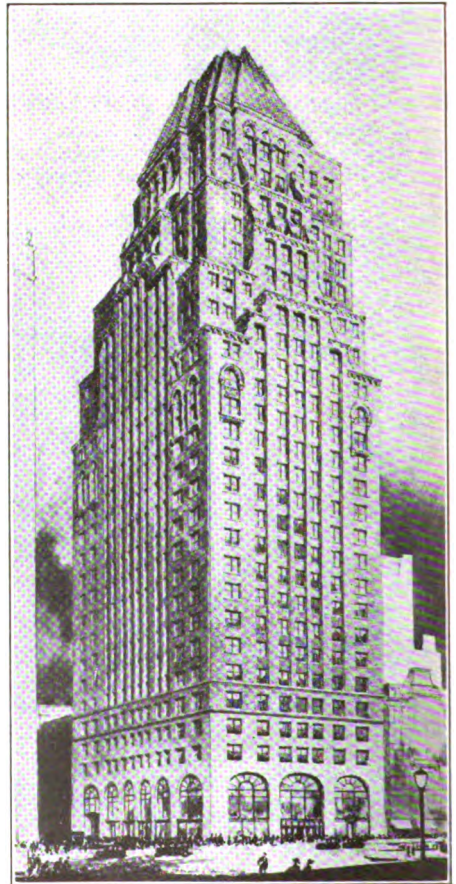
*The architects' drawing of the public space in the Buckeye State Building and Loan Company, Columbus, O., designed by Hopkins & Dentz, architects, New York.*





*The bank and office building designed for the Buckeye State Building and Loan Company, Columbus, O., by Hopkins & Dentz, architects, New York.*

*The new Court and Remsen building the banking floor of which has been leased by the First National Bank of Brooklyn, N. Y., for its Downtown office, which will be opened about May 1. The space occupied by the bank has a total street frontage of more than 160 feet. The main banking room is 21 feet high, and has a depth of 137 feet. Open style counters will be used, and it is said that the new quarters, done in marble and bronze, will be very artistic. William S. Irish, the executive vice-president of the bank, is also president of the New York State Bankers Association.*



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# BOOK REVIEWS AND NEW BOOKS

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**PROFITS.** By William Trufant Foster and Waddill Catchings. Boston: Houghton Mifflin, for the Pollak Foundation for Economic Research. \$4.

From time to time a new theory of business cycles appears, until now there are some two hundred of them. "Profits" adds another to the list, or perhaps phrases an old one in a new way. The theory this time expounded is that business depressions are caused by the failure of consumers' purchasing power to increase as fast as production increases. The normal course of money is: through production, by payment of wages, to consumers, where it is used by consumers to purchase the goods produced. If this normal course were not interrupted, there would be no sharp reversals of business. But what happens is that consumers do not spend all that they receive. A part of it is saved, put away in the banks, and goes toward increasing production instead of toward purchasing and consuming the goods already produced. An even larger amount is diverted from consumption by the policy of corporation finance known as "ploughing back the profits into the business."

This flaw in the economic structure is a part of the capitalistic system. Such things could not occur in a system of barter economy, say the authors, for what men desire are consumables, and they could only secure consumables by producing some to exchange for those produced by other men. There would be no fear of producing more than could be exchanged, as there is now. The thing which differentiates the capitalistic system from a barter economy is money. The orthodox economic theory holds that money makes no difference, for it is but "a medium of exchange," hence the effect of selling goods for money, which money will purchase other goods, is the same as using the same goods in bartering. But Messrs. Foster and Catchings point out that money is not only "a medium of exchange," but as at present used, where it is not spent immediately "is suspended purchasing power, left hanging over the markets to be used nobody knows *when*, or *where*, or *for what*."

Though the waste caused by business depressions is a grievous fault in the present economic structure the authors by no means

feel that it is a great enough fault to justify the abandoning of capitalism. In the first place, "to burn down the house in which we live before we have even working plans for a new one is the way of retrogression. In any event, it is folly to destroy the real structure that toiling generations have reared and attempt to build a new one upon a foundation of untried theories, until we know a great deal more than we now know about the structure that we seek to demolish." Again, the capitalistic system is based on the profit motive, and the authors hold that "profit making, under such restrictions and conditions, and subject to such taxes as may from time to time become desirable, leads to the creation of greater wealth than any other feasible economic system that has ever been tried on a large scale or even suggested."

Nor is it suggested that the policy of corporations mentioned above, of "ploughing profits back into the business" or the habits of individuals of saving a part of their incomes be abandoned. "Both producers and consumers must save. Since, however, it is consumption and not abstinence that stimulates production, neither producers nor consumers are able to save without to some extent frustrating the social object of saving."

As a matter of fact, no means for correcting the condition described, are suggested. This constitutes the great disappointment of "Profits." It is to be supposed that in a later volume the authors will take up the question of so altering the present organization of society to better the condition which they say has been responsible for the fact that "in the past generation there have been no gains in human welfare at all comparable with the growth of industrial equipment and the improvement in the arts."

For the most part, this analysis of the present economic system is a qualitative analysis, largely because "the available statistics [to prove the thesis] are insufficient for the purpose, since in the past this specific problem appears to have been overlooked." In one chapter, near the end of the book, however, an attempt is made to show that statistics bear out the argument set forth. This is by far the weakest

(Continued on page 606)

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# Practical Books on Banking

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## The Paying Teller's Department

By Glenn G. Munn, lecturer, American Institute of Banking. 144 pages, 4½ by 6½. Bound in boards. Price, \$1.25.

The purpose of this volume is to present in a practical manner the functions of the paying teller and related departments in every phase—whether they occur in a city or country bank, or in the East or West. It is intended as a reference book to which the officers, paying tellers and other clerks may turn for guidance in answering questions which constantly arise with regard to cashing checks, certifications, reserve requirements, supply and disposition of money, tests for counterfeit money and raised bills, shipping currency, etc.

## The Bank Credit Investigator

By Russell F. Prudden. 200 pages. Cloth. Price, \$1.50.

This book was written primarily as a text-book for the beginner—the young man who is just starting in at bank credit investigation work. It is designed to give him an understanding of the importance of this branch of bank work, an appreciation of the necessity for tact and diplomacy, and by concrete example, to explain the various steps in the scientific investigation of a credit risk. Credit managers will find this book of the greatest usefulness in training the members of their staff and in helping them to avoid the errors that come from inexperience. Young bankers that expect to get into credit work should read this book in order to grasp the fundamentals of the work. It should be in every bank library.

## Bank Credit Methods and Practice

By Thomas J. Kavanaugh, vice-president, Mississippi Valley Trust Co., St. Louis, and lecturer at St. Louis University. Second edition, 241 pages. Illustrated with forms. 5½ by 8. Cloth, \$2.50.

This book contains an accurate description of the operation of a credit department in a modern bank, showing how credits are passed upon by the bank executive and how essential information is kept on file. It is useful not only to the banker but also to the business executive who is interested in learning the banker's attitude on what is and what is not a good credit risk.

## The Cause and Prevention of Bank Defalcations

By Martin K. Fowler, New Jersey State Bank Examiner. 150 pages. 4½ by 6½. Bound in boards. Price, \$1.50.

This book was written primarily as a means of pointing out to bank directors and officers their responsibility for the prevention of criminal defalcations. After many years of experience Mr. Fowler has reached the conclusion that most defalcations can be prevented by more diligence on the part of directors in removing both the desire and the opportunity for crime. In this book the author sets forth the causes and suggests methods for the prevention of bank defalcations.

## The Bank Agricultural Department

By R. A. Ward, general manager, Pacific Co-operative Woolgrowers; formerly vice-president, First National Bank of Bend, Ore., and member of the agricultural committee, Oregon Bankers Association. 4½ by 6½. Bound in boards. Price, \$1.25.

This book shows the bank serving an agricultural district how to organize a special department to serve the farming interests of the community. It tells why a service of this kind is profitable for the bank and how it can be of help to the bank's customers.

## Elements of Foreign Exchange

By Franklin Escher, special lecturer on Foreign Exchange at New York University. Ninth edition. 160 pages, 5½ by 8. Cloth, \$1.60.

This book is elementary and is designed for the reader who wants to get a clear idea of how foreign exchange works without going too deeply into technicalities. It gives a clear understanding of the causes which affect the movement of foreign exchange, its influence on the money and security market, etc.

## The New Business Department

By T. D. MacGregor, vice-president, Edwin Bird Wilson, Inc. 104 pages, 4½ by 6½. Bound in boards. Price, \$1.25.

This book describes the actual operation and organization of the "new business department" of a modern bank and shows how any bank can organize such a department and make it a profitable producer of new business and accounts.

## The Women's Department

By Anne Seward, Empire Trust Company, New York—one of the ablest and best known women bankers in the country. 120 pages. 4½ by 6½. Bound in boards. Price, \$1.25.

This book contains, in addition to interesting and helpful personal experience of the author, a fund of hardheaded and valuable information on the problems incident to the profitable operation of the women's department in a suburban, small town or metropolitan bank. An invaluable book for banks operating women's departments or contemplating the organization of such departments. No bank official or bank woman can afford not to be informed on this phase of American banking.

## Commercial Paper

By W. H. Kniffin, Jr., vice-president Bank of Rockville Centre, N. Y. 174 pages, illustrated. 6 by 9. Cloth, \$2.50.

This book fills a long-felt want for a book that will enable the banker and the credit man to properly analyze credit statements and thus be able to pass properly on the credit risk involved. Also shows how to buy commercial paper. A number of actual financial statements covering various lines are given and carefully analyzed to show strong and weak points. The subject of acceptances is also given careful consideration.

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# that should be in your library

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## Encyclopedia of Banking and Finance

By Glenn G. Munn, author, "The Paying Teller's Department." Lecturer, American Institute of Banking. 600 pages. 7½ by 10½. Bound in cloth. Price, \$10.00.

This is the first encyclopedia of banking and finance to be published. It describes over 3000 terms relating to money, credit, banking practice and history, law, accounting and organization, foreign exchange, trusts, investments, speculation, markets and brokerage. Under one cover the author has compiled information taken from hundreds of different sources, alphabetically arranged so that the reader can turn to the subject in which he is interested with a minimum of time and effort.

A feature of this work is the inclusion of the text of such important legislation as the Federal Reserve Act, the Federal Farm Loan Act, the Agricultural Credits Act, the Negotiable Instruments Law, the National Bankruptcy Act, the Bill of Lading Act and the Cotton Futures Act.

Another valuable feature is the bibliography given at the end of each important topic, referring the reader to the various sources from which more detailed information can be obtained about the subject in which he is interested.

This book is useful for the bank executive as a handy work of reference, and to the student of banking as a means of acquiring a broad knowledge of banking subjects. Regular study of this book is recommended to those who would be well informed on banking. This book should be made available to employees in every bank in the country.

## Recollections of a Busy Life

By the late James B. Forgan, formerly chairman of the First National Bank, Chicago, De Luxe Autographed Edition, personally signed by the author. Only limited number still available. 335 pages. 5½ by 8½. Genuine leather. Price, \$6.00.

This is the life story of one of America's best loved bankers—told in a simple, unassuming and yet wholly captivating style. From the day that "Jamie" Forgan's grandfather walked three quarters of the two miles along the Five Seacoast with his youthful grandson before the latter embarked for Canada, to the day when James B. Forgan, banker, was summoned to the White House by Theodore Roosevelt to give the President his views on a national system for the

mutual guaranty of bank deposits which Mr. Forgan opposed as inimical to sound banking, is a period of over fifty years, not one of which the author considered too "busy" to enjoy to its fullest.

The lighter details of the author's experiences as well as the more serious side in connection with his chosen profession make the book of interest to all bankers—young and old. The younger bankers will receive inspiration from the author's account of the reasons for his success, and the older generation will enjoy Mr. Forgan's recollections of former days.

## The Romance and Tragedy of Banking

By the late Thomas P. Kane, former Deputy Comptroller of the Currency. 550 pages, 9½ by 6¼. Bound in cloth, \$5.00.

This really remarkable book contains within its 560 pages the story of National Banking since the Civil War. It tells how the system was first put in operation and how it has been administered. Many interesting and significant incidents connected with National Bank supervision are here related for the first time.

One of the most interesting features of the book is its graphic description of the events leading up to many of the most famous bank failures under the National Bank Act. The causes of bank failures are always of vital interest to bank executives, and these inside stories of famous disasters should prove particularly valuable.

This volume is not dry and uninteresting. It is written in an easy, readable narrative style with particular emphasis on the human side of banking. The vivid personalities that have held the stage in the banking drama of the past half century are described, particular emphasis being placed on the Comptrollers of the Currency, whose administrations are all described in detail.

### HOW TO ORDER

Any of the books described above will be sent on five days' approval to any bank or banker in the United States.

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(Continued from page 663)

part of the argument. Logically it is very convincing. But in adducing statistics to support the reasoning, there is a noticeable straining to make them prove what the authors wish to prove. A great deal of explanatory matter is necessary. The authors evidently realize this, and expect their contentions to be attacked, for on the back cover of the book, announcement is made that a prize of \$5000 will be awarded for the best *adverse* criticism of the book. Further information on this prize contest can be obtained from the Pollak Foundation for Economic Research, Newton 58, Mass.

In spite of the fact that the content of the book seems wandering in its progress toward the conclusion, and that much irrelevant matter is included, making it very long; and in spite of the fact that the authors seem to strive to prove their proposition by repetition as well as by logic, it is very stimulating and interesting. The style is a refreshing departure from the customary style of books on economics. It is the most enjoyable book of economic theory that this reviewer has read for six months.

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BANKING THROUGH THE AGES. By Noble Foster Hoggson, New York: Dodd, Mead & Co. \$3.

THE scope of this attractive volume, dealing with the origin and early development of banking, is appropriately stated in the introduction by Willis Booth:

"That the story of banking trails back into the dim mists of antiquity everyone knows. But the fact that this story is replete with intense human interest with colorful detail, with stirring drama, and with a significance to civilization so profound as to be unparalleled in the history of any other vocation, comes to us with a shock of surprise. \* \* \* It is with fragments of such a history, told with the vision of a poet who, while treating of the details of his narrative is yet conscious of their larger significances, that this informative volume deals."

To what importance in the life of a people banking has finally reached is thus set forth in the concluding words of the author:

"In this modern world, as it has gradually taken shape from the wild chaos of Ancient and Mediæval times, banking has

assumed a significance far beyond what could have been anticipated at any period during the early history of civilization. It ceased to be the convenience of a class, and became the necessity of a people. It is now one of the foremost functions of government. Our social and economic organization is inconceivable without the great banking systems which knit the whole commercial fabric together. The tide of our prosperity rises and falls through, and is gauged by our banking institutions. Our material civilization is indeed built four-square on these institutions, which might be called the transformers through which the twin currents of commerce and industry flow.

"Perhaps the future historian will look back to the boiling commercial activity of today, and pausing for a salient phrase, set down this age in his record as *The Age of Banks.*"

The beginnings and progress of banking will well repay careful study by those concerned in the conduct of modern banks. Mr. Hoggson has made it possible to gain this information pleasantly by means of clear text, delightful typography, binding and illustration. "*Banking Through the Ages*" is both attractive and instructive.

+

EVERYMAN'S INSURANCE. By Frazer Hood. N. Y.: Appleton. \$1.50.

ACCORDING to Dr. Hood "insurance is a device of society, evolved through many centuries, whereby economic losses are shared among a large number of individuals and the amount each must contribute to the common fund from which losses are to be made good is calculated to a mathematical nicety." Accordingly, it is important that the average man know something about it, and he has written this book to give the reader a working knowledge of every type of insurance available, in such non-technical language that it will be easily grasped by those unfamiliar with it.

In the opening chapter, the author takes up and discusses the four aspects of insurance: (1) the legal aspect, (2) the social aspect, (3) the economic aspect, and (4) the mathematical aspect. Passing then to life insurance, the family and business uses are described, the nature and principles of life insurance are discussed, and some attention

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# How Does Your Bank Compare with the Average!

In analyzing the statement of your bank it is important to know how your ratios compare with the average ratios of other banks. If your investments, for example, are 20 per cent. of your loans and discounts it is important to know whether this ratio is above or below the average ratio of other banks. It is only by checking your statement with the average statements of other banks that you can determine exactly how your bank stands.

What are the strong and weak points to look for in analyzing the financial

statement of a banking institution? What methods should be used in determining the strength or weakness of any bank's statement? Much has been written on the analysis of statements of commercial companies but little information is available on bank statements.

In order to analyze the condition of any bank thoroughly it is necessary to know certain facts regarding the bank's management and policies. Do you know how to determine these facts? You will find a fund of information on these subjects in

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This valuable pamphlet was prepared by the Credit Editor of THE BANKERS MAGAZINE in response to a wide-spread demand for accurate information on this subject.

The author begins by giving a typical bank statement and reviewing it item by item explaining in detail what is meant by each. The items considered are those which usually appear on any bank's statement such as loans and discounts, overdrafts, United States securities, other bonds and securities, stock of Federal Reserve Bank, due from banks and bankers, etc.

After explaining in detail all of these items, the author proceeds to his analysis and shows how to pick out quickly and accurately the strong and weak points of the statement. He gives a list of ratios found in every bank statement and by means of a carefully worked out table shows what these should be for various classes of banks such as country banks, city banks, trust companies, state banks, etc. This table is not based on theory but on actual statistics obtained through the analysis of many different statements.

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Chapters on Trust Accounting and Audit and Control give specific information about this work. Separate chapters describe systems in actual use for the safeguarding of securities and the handling of investments. Many valuable schedules, tables and lists are included throughout the book and also in the appendices.

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is given also to the types of policies and plans of insurance for employes, such as group and industrial insurance and disability insurance. Remarking on the great expansion of life insurance during the last few years, Mr. Hood says that it can be called the first large scale co-operative undertaking in America.

The description of the method of calculating proper premiums appears to be a trifle tedious, but perhaps it is necessary to take them up in order to give the reader a clear understanding of life insurance. The different types of policies are discussed with specific illustrations to enable the reader to decide the best type of policy for himself.

Part II takes up fire and marine insurance, and the differences between life and fire insurance are brought out. Fire insurance seeks to prevent losses, as well as to pay them when they occur. The companies are continually advocating fire prevention methods and educating the general public in methods of fire prevention. The numerous benefits from both fire and marine insurance are enumerated and discussed at some length.

Part III takes up the miscellaneous kinds of insurance, with special emphasis on the growth of automobile insurance during the last few years.

The book presents, in a clear and interesting manner, the subject of insurance and gives the reader an idea of the value of insurance in its various phases in the home as well as in the business life of the people of this country.

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REAL ESTATE ADVERTISING. By Ward C. Gifford. N. Y.: Macmillan. \$4.

EVERYONE is familiar with the shop-worn slogan "It Pays to Advertise." While this is a very true statement, there is a vast difference between just mere advertising and *good* advertising. The purpose in this book on the fundamentals of real estate advertising is to help the real estate salesman. While one who is well established in this field will find the book interesting, it will, no doubt, be more profitable to the embryonic realtor, as it is easy to grasp, and contains but few technical terms.

Mr. Gifford begins with the necessity for real estate advertising and just what constitutes a good real estate advertisement. He says that "everything which goes out of



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an office, or enters into the business of a real estate man should be considered in the light of advertising." This he backs up by discussing, and in many cases illustrating the kinds of advertising, the choice of media, size of space for different type ads, position on the page and in the periodical or magazine, letters, letterheads, circulars, direct-by-mail campaigns, signs, use of color, preparation of copy, layout, type, real estate finance, property management, publicity, co-operation with real estate editors of newspapers, and every conceivable phase of the real estate business.

The sequence of this book as a whole is a trifle jumbled, but this is due to the extensive field that it covers. However, it has a thorough index, and should be a profitable aid to anyone as a reference book.



### Notes

The Union Trust Company, Detroit, Mich., is publishing an "Executives' Bulletin," the purpose of which is, as it says "to conserve the time of busy men." It contains brief digests of articles in various magazines, in which executives are likely to be interested. The March issue contains digests of articles from *Commerce and Finance*, *Printers' Ink*, *The Annalist*, *Manufacturing Industries*, *Advertising and Selling Fortnightly*, *Sales Management*, *Commerce Reports*, *Factory*, *Barron's*, *Atlantic Monthly*, *Purchasing Agent*, *Manufacturer's Record*, *Credit Monthly*, and *American Exporter*.



The Policyholders' Service Bureau of the Metropolitan Life Insurance Company, New York, has put out what should be a very useful pamphlet on "Budgeting for the Bank," showing "not only that it is entirely practicable for a bank to operate on a budget plan, but that the use of such a procedure possesses many advantages." The pamphlet includes extracts from letters from numerous banks giving their experience with budgeting, and several suggested forms and methods for making up the budget. While few banks at present make up a complete budget, that is, an estimate of both income and expenses, a great many banks do make very complete budgets of expenses. The application of budgeting to banking is another application of scientific methods to banking and business, and as

such, it deserves to be encouraged. To banks interested in up-to-date procedure, this booklet should be very helpful. It will do good service if it only brings the matter of budgeting to the attention of more banks.



Dr. Ira B. Cross, professor of economics of the University of California and dean of San Francisco Chapter, American Institute of Banking, is writing a history of banking in California, which will bear the title "Financing an Empire."

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"The Clearing and Collection of Checks" by Walter Earl Spahr (N. Y.: Bankers Publishing Co. \$7.50) was published as this issue of the magazine goes to press. It will be reviewed in these columns next month.

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### Books Received

LIFE AND LETTERS OF THOMAS JEFFERSON. By Francis W. Hirst. N. Y.: Macmillan. \$6.



### Other New Books

THE INVESTIGATION OF BUSINESS PROBLEMS; TECHNIQUE AND PROCEDURE. By J. Eigelsberger. Chic.: A. W. Shaw Co. \$6.

BUDGETING TO THE BUSINESS CYCLE. By Joseph H. Barber. N. Y.: Ronald Press. \$1.25.

THE METHOD OF ANALYZING BUSINESS DATA. Urbana, Ill.: University of Illinois Bureau of Business Research.

SOCIAL STRUGGLES AND MODERN SOCIALISM. By Max Beer. Boston: Small, Maynard. \$2.

THE OFFICE OF THE COMPTROLLER OF THE CURRENCY; ITS HISTORY, ACTIVITIES AND ORGANIZATION. By John G. Heinberg. Baltimore: Johns Hopkins Press. \$1.

THE BONUS AND THE BUDGET. N. Y.: Metropolitan Life Insurance Co., Policyholders' Service Bureau. gratis.

THE BUREAU OF THE MINT; ITS HISTORY, ACTIVITIES AND ORGANIZATION. By Jesse P. Watson. Baltimore: Johns Hopkins Press. \$1.

PAPER

## The Silent Vote of Thanks

Depositors may not like to ask for the protection which National Safety Paper affords.

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**INVESTMENT SECURITIES**

May 1926

MAY 13 1926

*The* **BANKERS**  
**MAGAZINE**

80TH



YEAR



Should the Federal Reserve Banks  
Be Rechartered Now?

By FRANK A. VANDERLIP

Capitalism—or What?

By BERTRAND RUSSELL

Why Comptrollers?

What Makes Bank Publicity Good?

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Published Monthly by

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Editor

ESTABLISHED 1846

RICHARD F. DURHAM  
Managing Editor

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VOLUME CXII

MAY, 1926

NO. 5

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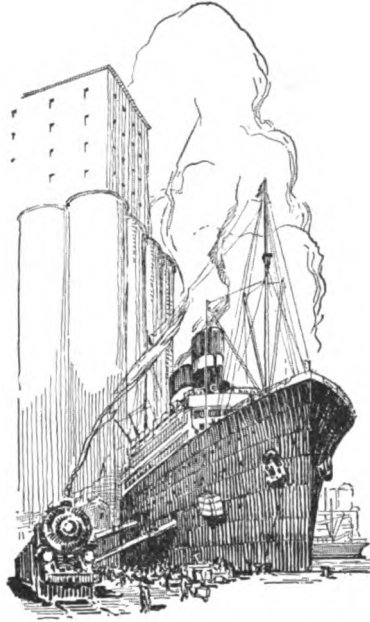
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## The Publisher's Page

**W**ITH this number **THE BANKERS MAGAZINE** makes its initial appearance in its new type dress and with a new cover. In planning the makeup of the new Magazine the editors sought to select a type face that was both pleasing to the eye and easy to read. Their final choice of the type in which the body of the Magazine is set is the result of careful study and thorough experimentation.

The June number will commemorate the Eightieth Anniversary of **THE BANKERS MAGAZINE**, and will contain a number of features of unusual interest. **ANDREW W. MELLON**, Secretary of the United

States Treasury will contribute an article on the subject of the Federal Reserve Bank charters. In the same number will appear an article by **GEORGE W. EDWARDS** on the significance of the bank merger movement. Dr. **EDWARDS**, who is professor of banking at New York University and author of the last few years made an exhaustive study of the subject of bank concentration both in this country and in leading countries of Europe. Another interesting and authoritative article in the June number will be "Pioneering in Investment Trust Field," by **LELAND REX ROBINSON**. Dr. **ROBINSON** is president of the



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ANDREW W. MELLON

Secretary of the United States Treasury.  
A contributor to the June number of  
**THE BANKERS MAGAZINE**

International Securities Trust of America. He was formerly assistant director of the United States Bureau of Foreign and Domestic Commerce and has also been American Financial Trade Commissioner in London. **OSBORN FORT HEVENER** will contribute to the June number a timely article under the title "Putting the Advertising Faker Out of Business." Mr. Hevener is manager of the business development and publicity departments of the Bank of America, New York.

One of the features of the July number will be a contribution from **CHARLES M. SCHWAB**, chairman of the Bethlehem Steel Cor-

[Continued on page xi]



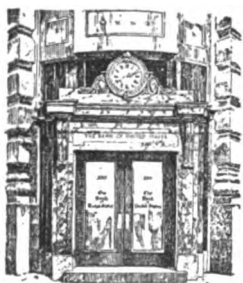
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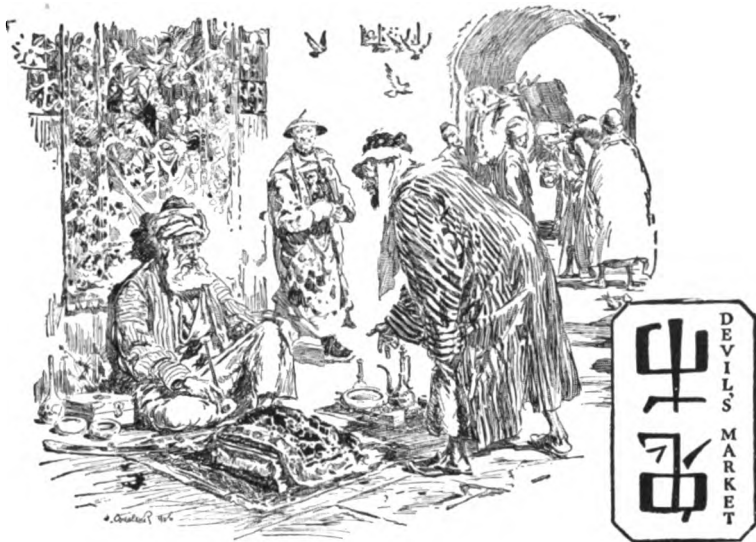
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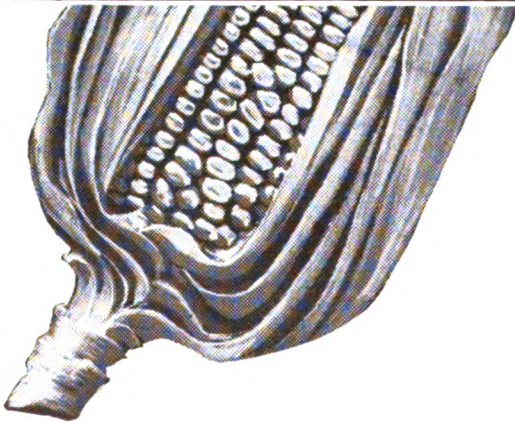
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[Continued from page VII]

poration on the subject "Capitalism—or What?" This will be the second article of a symposium on capitalism which begins with BERTRAND RUSSELL's article on page 679 of the present number. Mr. Russell is a widely read British economist and author. He is a Fellow of the Royal Society, England, a Fellow of Trinity College, Cambridge, England, and was a lecturer at Trinity from 1910 to 1916. He was a professor at Peking National University, Peking, China, in 1920-1921. Another contributor to THE BANKERS MAGAZINE's symposium on capitalism will be HARTLEY WITHERS, distinguished British economist and internationally known as an authority on financial and economic subjects. Mr. Withers is a former editor of the *London Economist*.

GERLOF VERWEY, whose article appears on page 681 of this number, is a native and a resident of Holland. He is at present in the United States and connected with the Guaranty Trust Company of New York. RICHARD W. SAUNDERS, whose article appears on page 683 of this number, was formerly cashier of the National Bank of Commerce in New York, and has for the last few years been comptroller of one of the country's largest corporations. G. PRATHER KNAPP, whose article "What Makes Bank Publicity Good?" appears on page 685, is first vice-president of the Bankers Service Corporation of New York. He was formerly advertising manager of the Mississippi Valley Trust Company and later vice-president of the Harvey Blodgett Advertising Company. He was one of the original organizers of the Financial Advertisers' Association. JOHN T. BARTLETT, whose article "A New Plan for Presenting Reports to a Board of Directors" appears on page 687, is a frequent contributor to financial and other magazines. ALLAN B. COOK, whose article "Should Long Term Credits Be Granted to Foreign Buyers?" appears on page 689, is vice-president of the Guardian Trust Company of Cleveland, Ohio, and a keen student of the subjects of foreign banking and exporting. J. W. TYSON whose article "The Canadian Tariff Board" appears on page 697, is one of the editors of the *Financial Post*, Toronto. WILLIAM HAYES whose review "The Financial and Economic Situation Abroad" appears on page 699, is associate editor of THE BANKERS MAGAZINE. The banking and commercial law cases appearing in this number beginning on page 691 include "Securing Additional Indorser Without Maker's Consent not a Defense," "Title to Draft Deposited for Collection Remains In Depositor," and "Demand Note Negotiated Three Years After Its Date." "Banking Publicity" on page 759, includes the program of the Philadelphia session of the Financial Advertisers' Association to be held on June 23.



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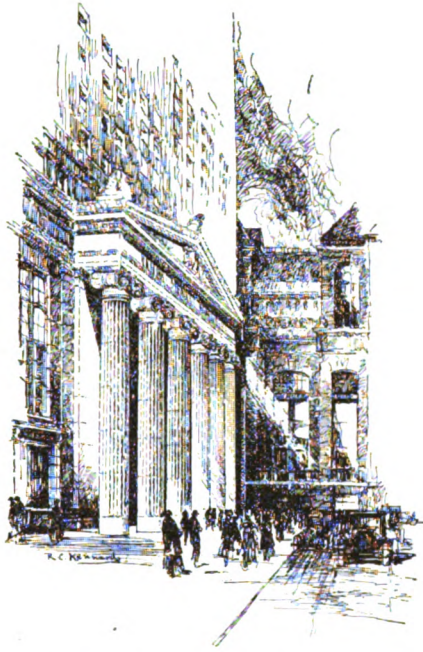
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**I**N addition to the usual banking facilities offered to its clients, this Company as correspondent for financial institutions places at their disposal the assistance of its Trust Department.

Due to the large amount of trusts in care of the Company and by virtue of the wide and varied Trust experience built upon nearly a century of trust service, the personnel of the Trust Department is well qualified to assist banking clients with their trust problems.

It follows that a trust company or bank maintaining a trust department to which we may be of service may profitably consider this institution as a reserve depositary for its funds.

*Individual Trust Funds \$429,000,000*

*Corporate Funds - \$1,444,000,000*

---

# GIRARD TRUST COMPANY

BROAD AND CHESTNUT STREETS • PHILADELPHIA

---

# HARRIS, FORBES & CO

Successors to N. W. HARRIS & CO., New York

Pine Street, Corner William  
NEW YORK

## BONDS FOR INVESTMENT

Harris, Forbes & Company  
Incorporated  
Boston

Harris Trust & Savings Bank  
Bond Department  
Chicago



# GLYN, MILLS & Co.

(Established 1753.)

Registered with unlimited liability 1885.

incorporating

Child & Co. — and — Holt & Co.  
(Established before 1800) (Established 1809)

### BANKERS

Army and Air Force Agents

Navy and Prize Agents

#### Managing Partners

LORD WOLVERTON LAURENCE CURRIE LORD HILLINGTON  
General The Hon. Sir H. A. LAWRENCE, K.C.B.  
Brigadier-General A. MAXWELL, C.B., C.M.G., D.S.O.  
ERIC GORE BROWNE, D.S.O. FREDERICK WILLIAM FANE

Head Office: 67, LOMBARD STREET, LONDON, E. C. 3

Childs Branch: 1, FLEET STREET, LONDON, E. C. 4

Holts Branch: 3 & 4, WHITEHALL PLACE, LONDON, S. W. 1

The Bank, which is represented by Agents and Correspondents in all the principal Cities and Towns of the United Kingdom and throughout the World, conducts every description of Banking business, both British and Foreign.

Letters of Credit issued.

Home and Foreign Credits established.

Executorships and Trusteeships undertaken.



ESTABLISHED 1832

## Banking Service in Canada, Newfoundland and West Indies

With 265 branches in Canada, 18 in Newfoundland, 10 in Jamaica and 9 in Cuba, Porto Rico and the Dominican Republic, we are well equipped to handle the accounts of banks and corporations wishing to do business with these points.

**Capital Paid-Up - - \$10,000,000**  
**Reserve Fund - - \$19,500,000**  
**Total Assets over - \$220,000,000**

# The Bank of Nova Scotia

**GENERAL MANAGER'S OFFICE: TORONTO, ONT.**

J. A. McLEOD, General Manager

**NEW YORK AGENCY - - - - 49 WALL STREET**

P. W. MURPHY and F. W. MURRAY, Agents

**LONDON BRANCH: 108 Old Broad St., E. C. 2**

### CORRESPONDENTS

**LONDON, ENG.—Midland Bank Limited, Bank of England,  
Royal Bank of Scotland**

**NEW YORK—Bank of New York & Trust Co.  
National Bank of Commerce in New York**

Established 1878

# Imperial Bank of Canada

HEAD OFFICE, TORONTO

Capital (Paid Up) . . . . \$7,000,000  
 Reserve Fund . . . . . 7,500,000

PELEG HOWLAND, PRESIDENT

SIR JAMES WOOD, VICE PRESIDENT

A. E. PHIPPS, GEN. MANAGER G. D. BOULTON, ASST. GEN. MANAGER

H. T. JAFFRAY, ASST. GEN. MANAGER

**Agents and Correspondents****UNITED STATES**

**New York**—Bank of the Manhattan Co.  
**Boston**—National Shawmut Bank.  
**Philadelphia**—Fourth St. National Bank  
**Buffalo**—Marine Trust Co.  
**Chicago**—First National Bank.  
**San Francisco**—Wells Fargo Bank &  
 Union Trust Co.  
**Seattle**—Seattle National Bank.  
**Minneapolis**—First National Bank.

**GREAT BRITAIN and IRELAND**

**England**—Lloyds Bank, Limited.  
**Scotland**—The Commercial Bank of Scot-  
 land.  
**Ireland**—Northern Banking Co., Limited,  
 Belfast, and Branches.  
**FRANCE, BELGIUM and**  
**SWITZERLAND**  
 Lloyds & National Provincial Foreign  
 Bank, Ltd.

Having as its correspondents the largest and strongest banks throughout the world, the Imperial Bank of Canada is in a position to afford the most efficient banking service.

With 212 branches in Canada our facilities for handling business throughout the Dominion are unexcelled.

## Bank of Liverpool & Martins Limited.

Head Office: 7, WATER STREET, LIVERPOOL.

London Office: 68, LOMBARD STREET, LONDON, E.C. 3.

\$5=£1

Capital Subscribed ..... \$93,955,600  
 Capital Paid Up and Reserves ..... 21,686,230  
 Deposits, etc., at 31st Dec., 1925 ... 299,098,130

379 BRANCHES AND SUB-BRANCHES.

*All descriptions of Banking, Trustee and Foreign  
 Exchange Business Transacted.*

The Bank is prepared to act as Agent for Foreign Banks  
 on usual Terms

# Banca Nazionale di Credito

Capital - - Lit. 300,000,000

HEAD OFFICE: MILAN, ITALY

Over 60 Branches and Agencies Throughout Italy

Correspondents  
in all the Principal Cities of the Kingdom

Every Description of Domestic and International  
Banking Business Transacted

Special Travelers' Letters of Credit and  
Money Order Departments

*Inquiries and Correspondence Solicited*

## AFFILIATED BANKS

BANQUE ITALO-FRANCAISE DE CREDIT  
Paris                      Marseilles                      Tunis

ITALIAN DISCOUNT & TRUST COMPANY  
New York City

BANCO ITALO-EGIZIANO  
Alexandria                      Beni-Mazar                      Beni-Suef  
Cairo                      Fayum                      Mansura  
Mit-Ghamr                      Tantah

BANCA DALMATA DI SCONTO  
Zara      Sebenico      Spalato

BANCA COLONIALE DI CREDITO  
Asmara                      Massaw

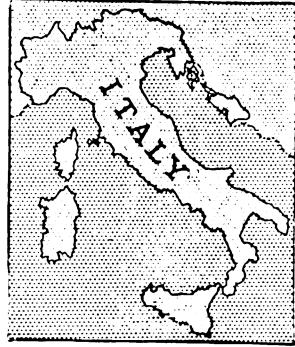


# In Every Important Italian Market

**I**N EIGHTY commercial and industrial centers of Italy a branch of the Banca Commerciale Italiana performs all the functions of a local bank, with its services closely interwoven with the business affairs of the community it serves.

The New York Agency of this institution, therefore, brings to American bankers and business men an intimate knowledge of Italian commerce and industry obtained by constant and direct relationship with these

eighty Italian business centers. Foreign branches and affiliations extend our service to England, France, Switzerland, Poland, Czecho-Slovakia, Austria, Hungary, Roumania, Jugoslavia, Bulgaria, Turkey and throughout South America. Facilities thus provided for American foreign trade are of exceptional breadth and scope.



## Banca Commerciale Italiana

Head Office, MILAN, ITALY

Authorized Capital Lire 700,000,000

Surplus Lire 500,000,000

**NEW YORK AGENCY, 62-64 WILLIAM STREET**

Telephone John 1000

*Organized*

## Banca Commerciale Italiana Trust Company

Capital \$1,000,000

Surplus \$550,000

**62-64 WILLIAM STREET, NEW YORK**

Telephone John 4666

*All Banking Facilities*

**A Native Bank in Peru**  
**for all Banking Operations**  
**BANCO ITALIANO**

LIMA, PERU

Established 1889

Capital Fully Paid Lp. 500,000,000

Surplus . . . Lp. 589,553,670

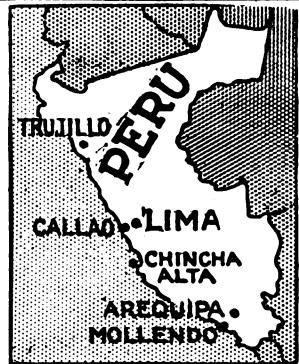
**BRANCHES**

Callao—Arequipa—Chincha Alta—Mollendo—Trujillo

*Representatives for the U. S. A.***Banca Commerciale Italiana**

Agency in New York - - 62-64 William Street

Phone: John 1000



**Commerz-und Privat-Bank**  
**Aktiengesellschaft**

(Established 1870)

**HAMBURG-BERLIN**

and

**Two hundred twenty other places throughout Germany*****Capital and Surplus, R.M. 64,000,000*****All Banking Transactions*****Extensive Trade Information Service***

Cable address for main offices and branches

**"HANSEATIC"**

**The Banker and Tradesman** has for  
 over fifty years been the representative financial  
 and business weekly of Boston and New England.

465 Main Street

- - Cambridge 39, Mass.

# The National Bank of New Zealand, Ltd.

Authorized Capital, \$30,000,000  
 Subscribed Capital, \$22,500,000  
 Paid-up Capital, \$ 7,500,000  
 Reserve Fund, \$ 7,350,000



**Head Office**

**8 Moorgate Street, London, E.C. 2**

Manager, ARTHUR WILLIS

**Chief Office**

**In New Zealand at Wellington**

General Manager, ALFRED JOLLY

**83 Branches and Agencies Throughout New Zealand.**

**Bills of Exchange Collected. Wool and Produce Credits Arranged.  
 All Classes of Banking Business Undertaken.**

## BARCLAYS BANK (DOMINION, COLONIAL AND OVERSEAS)

Head Office: 54, LOMBARD STREET, LONDON, E.C.3.

Incorporated by Royal Charter, 1836

Formerly **THE COLONIAL BANK**  
 with which are amalgamated

Reincorporated by Act of Parliament, 1925

**THE NATIONAL BANK OF SOUTH AFRICA LIMITED**  
 and  
**THE ANGLO-EGYPTIAN BANK LIMITED**

|                          |             |
|--------------------------|-------------|
| Capital authorised ..... | £10,000,000 |
| Capital subscribed ..... | £ 6,975,500 |
| Capital paid up .....    | £ 4,975,500 |
| Reserve Fund .....       | £ 1,000,000 |
| Uncalled Capital .....   | £ 2,000,000 |

**London Offices:**

29, Gracechurch Street, E.C.3; 37-39, King William Street, E.C.4;  
 Circus Place, London Wall, E.C.2; 111, St. Martin's Lane, Trafalgar  
 Square, W.C.2.

**Other Offices:**

LIVERPOOL—25, Castle Street. Manchester—21, York Street  
 HAMBURG—Adolphsplatz 4.  
 NEW YORK (Agencies)—3, South William Street; 44, Beaver Street.

With over 400 Branches in

British West Indies, British Guiana, Egypt and the Sudan, Transvaal, Rhodesia, Cape Province, Natal, Orange Free State, British West Africa, Swaziland, Portuguese East Africa, South West Africa, Tanganyika, Nyassaland, Kenya Colony, Malta, Gibraltar, Palestine and the Mauritius.

**The Bank acts as Agent for Home, Colonial and Foreign Banks**



# THE BANK OF TAIWAN, LTD.

Incorporated by Special Imperial Charter, 1899

**Head Office: TAIPEH, JAPAN**

**Capital Subscribed..... Yen 45,000,000**

**Capital Paid Up..... Yen 39,375,000**

**HIROZO MORI, Esq., President**

**Directors**

**GUNJI KAWASAKI, Esq.**

**TADASU HISAMUNE, Esq.**

**DENKICHI TAKITA, Esq.**

**MASAKAZU SHUTO, Esq.**

***Branches :***

**JAPAN—Tokyo (General Manager's Office), Kobe, Osaka, Yokohama.**

**TAIWAN—Giran, Heito, Kagi, Karenko, Keelung, Makong, Nanto, Shinchiku, Taichu, Tainan, Takao, Taito, Toen, Tansui.**

**CHINA—Amoy, Canton, Foochow, Hankow, Shanghai, Swatow.**

**OTHERS—Hongkong, London, New York, Singapore, Semarang, Soerabaia, Batavia, Bombay, Calcutta, Dairen.**

**New York Office: 165 Broadway**

**K. YAMAMOTO, Agent**

**London Office: 25 Old Broad Street**

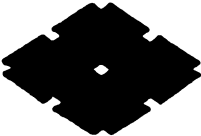
**Cable Transfers, Drafts, and Letters of Credit issued; the Negotiation and Collection of Bills of Exchange and other Banking Business transacted through our various Branches as well as correspondents in all parts of the world; offers exceptional facilities for handling transactions in the Far East.**

# The Sumitomo Bank, Limited

Cable address: "Sumitbank"

ESTABLISHED 1913

(Successors to The Sumitomo Bank)

Capital Subscribed . . .  . . . Yen 70,000,000

Capital paid up . . . . . " 50,000,000

**Head Office : OSAKA, JAPAN**

**N. YATSUSHIRO, Esq., Managing Director S. IMAMURA, Esq., Managing Director  
K. OHDAIRA, Managing Director**

**New York Agency, 149 Broadway, New York**

**G. HIGASHI, Agent**

**HOME OFFICES**

|             |            |               |          |           |          |
|-------------|------------|---------------|----------|-----------|----------|
| Osaka (17)  | Tokyo (15) | Yokohama      | Kobe (3) | Kyoto (2) | Niigama  |
| Shimonoseki | Moji       | Hiroshima (2) | Hakata   | Yanai     | Onomichi |
| Kurume      | Kure       | Wakamatsu     | Kokura   | Nagoya    | Kumamoto |
|             |            |               |          |           | Okayama  |

**Foreign Branches—Shanghai, New York, London, Hankow, San Francisco, Los Angeles, Bombay**

**Affiliated Banks—The Sumitomo Bank of Hawaii, Ltd., Honolulu, T. H.; The Sumitomo Bank of Seattle, Seattle, Wash.; and The Sumitomo Bank of California, Sacramento, Cal.**

**Bankers—National City Bank of New York, New York;**

**Lloyds Bank, Ltd. London; Lloyds & National Provincial Foreign Bank, Ltd., Paris.**

**Correspondents in All Important Places at Home and Abroad**

**The Bank buys, sells and receives for collection drafts and telegraphic transfers; issues Commercial and Travellers Letters of Credit available in all important parts of the world, and acts as Trustee for Mortgage Bond, besides doing general Banking Business.**

# THE MITSUI BANK, LTD.

Capital Subscribed . . .  . . . Yen 100,000,000.00

Capital Paid-Up . . . . . Yen 60,000,000.00

Reserve Funds (June 1925). . . . . Yen 51,400,000.00

**Head Office : TOKYO, JAPAN**

(No. 5 Honkawayacho, Nihonbashi-ku)

*President*

**G. MITSUI, Esq.**

*Managing Directors*

**S. IKEDA, Esq.**

**N. KIKUMOTO, Esq.**

**H. KAMESHIMA, Esq.**

**R. IMAI, Esq.**

**New York Agency, 61 Broadway, New York City**

*Home Branches :*

Fukuoka, Hiroshima, Kobe, Kyoto, Marunouchi (Tokyo), Moji, Nagasaki, Nagoya, Nihonbashi (Tokyo), Osaka (4), Otaru, Shimonoseki, Wakamatsu (Kyushu), Yokohama

*Foreign Branches :*

Bombay London New York Shanghai Sourabaya

# The Bank of Chosen

Incorporated by Special Charter of Imperial Japanese Government, 1909

|                          |   |                 |
|--------------------------|---|-----------------|
| Capital Subscribed . . . |  | Yen 80,000,000  |
| Capital Paid-Up . . .    |   | Yen 50,000,000  |
| Total Resources . . .    |   | Yen 660,000,000 |

**Head Office, Keijo (Seoul), Chosen (Korea)**

Governor, K. NONAKA

Deputy Governor, S. SUZUKI

Y. KATAYAMA

*Directors*

I. IUCHI

M. HASHIMOTO

**FOREIGN DEPARTMENT: TOKYO**

(All communications relating to the arrangements of correspondents and the Bank's general foreign business to be addressed to the Foreign Department)

*Principal Branches:*


- CHOSŌN: (Korea) Chemulpo, Pyengyang, Wonsan, Fusan, Taiku.
- MANCHURIA: Mukden, Dairen, Changchun, Newchang, Harbin, Antung.
- JAPAN: Tokyo, Osaka, Kobe, Shimonoseki.
- CHINA: Shanghai, Tsingtao, Tientsin, Tsinan.
- SIBERIA: Vladivostok.

**New York Agency, 165 Broadway**

H. YAMASHITA, Agent

# The Kajima Bank, Limited

Established in 1888

|                          |   |                   |
|--------------------------|---|-------------------|
| CAPITAL SUBSCRIBED       |  | Yen 30,200,000.00 |
| CAPITAL PAID UP . . .    |   | 18,875,000.00     |
| RESERVE FUNDS . . .      |   | 5,900,000.00      |
| DEPOSITS (June 30, 1925) |   | 172,915,129.34    |

- |   |  |
|---|--|
| Yukineri Hoshino, Esq., Managing Director | Keizo Hirooka, Esq., President         |
| Seishichi Kawakami, Esq., Managing Dir.   | Chusuke Yoshi, Esq., Managing Director |
| Hikotaro Ohmura, Esq., Director           | Seijiro Gion, Esq., Director           |
| Shikazo Sato, Esq., Director              | Tadanosuke Emura, Esq., Director       |
| Manroku Matsui, Esq., Auditor             | Kyuemon Hirooka, Esq., Auditor         |
|   | Kin-ichiro Hoshijima, Esq., Auditor    |

**Head Office, Osaka, Japan**

*Principal Branches:*

Tokyo Kyoto Kobe Okayama Hiroshima Fukuyama Tokuyama

**General Banking, Foreign Exchange and Trust  
Business Transacted**

*New York Correspondents*

- Yokohama Specie Bank, Ltd.
- Bank of Taiwan, Ltd.
- American Express Co.
- Irving Bank-Columbia Trust Co.
- Guaranty Trust Company of New York

*London Correspondents*

- Yokohama Specie Bank, Ltd.
- Bank of Taiwan, Ltd.
- Midland Bank Ltd.
- Bank of London and South America, Ltd.

# SKANDINAVISKA KREDITAKTIEBOLAGET

Established in 1864

GOTHENBURG      STOCKHOLM      MALMÖ

Branches  
In All Parts of Sweden

PAID-UP CAPITAL AND RESERVES  
KR. 182,000,000

Telegraphic Address: Kreditbolaget

Foreign Exchange bought and sold, bills collected, deposit  
and current accounts opened and all kinds of banking  
business transacted

## Commercial Bank of Greece

(A Limited Liability Company registered in Athens)

*Head Office : Athens*

*Branches : Piraeus, Argos, Pyrgos, Patras, Corfou, Cephalonia, Nauplic,  
Vostizza, Calamata, Syra, Chio, Candia, Volo, Salonica, Larissa,  
Triccala, Mytilene, Canea, Zante, Plomari and Tripolitza*

*ASSOCIATED BANK in LONDON*

### The Commercial Bank of The Near East, Ltd.

4 London Wall Buildings, E. C. 2

*with branch in CONSTANTINOPLE*

*Correspondents in the principal towns of Greece and in foreign countries  
throughout the world*

**GENERAL BANKING BUSINESS TRANSACTED**

Collections, Letters of Credit, Cable Transfers, Current  
and Term Deposits, Etc.

**Capital and Reserves . . . Dr. 58,106,143**

of the above Dr. 25,000,000 are represented by assets of £1,000,000 evaluated at Dr. 25

# Nederlandsche Handel-Maatschappij.

(NETHERLANDS TRADING SOCIETY).

Established by Royal Charter A.D. 1824.

|                             |              |                             |
|-----------------------------|--------------|-----------------------------|
| Capital Paid up.....        | f.80,000,000 | Neth. Currency (£6,666,666) |
| Statutory Reserve Fund..... | f.20,536,861 | “ “ (£1,711,405)            |
| Extraordinary Reserve Fund  | f.22,660,000 | “ “ (£1,888,333)            |

Head Office: AMSTERDAM.

Branches in HOLLAND: ROTTERDAM, THE HAGUE.

Branches in the NETHERLANDS INDIES: BATAVIA, SOURABAYA, SAMARANG, MEDAN, and further Principal Ports.

Branches in the STRAITS SETTLEMENTS, BRITISH INDIA, CHINA and JAPAN: SINGAPORE, PENANG, RANGOON, CALCUTTA, BOMBAY, HONGKONG, SHANGHAI and KOBE.

Grant Drafts and Issue Letters of Credit on all their Branches and Correspondents in the East, on the Continent, on Great Britain, Africa, America and Australia, and transact Banking Business of every description.

LONDON CORRESPONDENTS :

The National Provincial Bank, Ltd., LONDON.

# The Union Bank of Australia, Limited

Established 1887. Incorporated 1880.

|                                    |            |
|------------------------------------|------------|
| Capital Authorized and Issued..... | £9,000,000 |
| Capital Paid-Up .....              | £3,000,000 |
| Reserve Fund .....                 | £3,350,000 |
| Reserve Liability of Proprietors   | £6,000,000 |

Head Office—71, CORNHILL, LONDON, E. C. 3

Manager—W. J. ESSAME      Assistant Manager—W. A. LAING  
Secretary—F. H. McINTYRE

198 Branches throughout Australia and New Zealand, viz.:

In Victoria, 47; In South Australia, 15; In New South Wales, 43; In Western Australia, 20; In Queensland, 19; In Tasmania, 3; In New Zealand, 46.

Agents and Correspondents in all parts of the World

The Bank offers facilities for the transaction of every description of Banking business in Australia and New Zealand.

Bills negotiated or sent for collection. Commercial and Circular Credits issued available throughout the World.



# MIDLAND BANK

LIMITED

Established 1836

*Chairman:*

THE RIGHT HON. R. McKENNA

*Joint Managing Directors:*

FREDERICK HYDE      EDGAR W. WOOLLEY

## Statement of Condition

*December 31st, 1925*

### RESOURCES

\$5 = £1

|   |                       |
|---|-----------------------|
| Cash in hand and Due from Banks.....\$                                    | 353,083,306.00        |
| Money at Call and Short Notice.....                                       | 93,396,746.73         |
| Investments .....   | 173,956,378.69        |
| Bills Discounted .....  | 209,440,111.23        |
| Advances .....  | 983,737,739.21        |
| <b>Liabilities of Customers for Acceptances<br/>and Engagements .....</b> | <b>178,738,950.52</b> |
| Bank Premises .....   | 33,185,847.18         |
| Investments in Affiliations .....   | 31,889,753.89         |

### LIABILITIES

|                                   |                  |
|-----------------------------------|------------------|
| Capital Paid up .....             | 63,326,920.00    |
| Surplus .....                     | 63,326,920.00    |
| Deposits .....                    | 1,752,036,042.93 |
| Acceptances and Engagements ..... | 178,738,950.52   |

Together with its affiliations the Midland Bank operates 2,300 branches in Great Britain and Northern Ireland, and has offices in the Atlantic Liners *Aquitania*, *Berengaria* and *Mauretania*. The Foreign Branch Office at 196 Piccadilly, London, is specially equipped for the use and convenience of American visitors in London.

HEAD OFFICE: 5 THREADNEEDLE STREET, LONDON, E. C. 2



# Commonwealth Bank of Australia.

Guaranteed by the Australian Commonwealth Government

HEAD OFFICE, SYDNEY



Head Office  
Sydney, N. S. W.

Branches in all the principal towns and cities of Australia, at London (2), and Rabaul.

A Savings Bank Department at all Branches and 3,355 Savings Bank Agencies at Post Offices throughout the Commonwealth of Australia, Territories of Papua and New Guinea, Solomon Islands Protectorate and other parts of the Pacific.

**Agents and Correspondents throughout the World**

**Banking and Exchange Business**

of every description transacted within the Australian Commonwealth,  
United Kingdom, United States, Canada and Abroad

December 31st, 1924

|                       |   |   |                         |
|-----------------------|---|---|-------------------------|
| General Bank Deposits | - | - | \$144,988,059.57        |
| Other Items           | - | - | 41,424,536.18           |
| Savings Bank Deposits | - | - | 204,743,071.46          |
| Note Issue Department | - | - | 284,451,130.00          |
|                       |   |   | <b>\$675,606,797.21</b> |

Cable Remittances made to, and drafts drawn on United States,  
Canada and foreign places direct

Letters of Credit issued to any part of the World

Bills Negotiated or Forwarded for Collection

Current Accounts Opened

Interest on Fixed Deposits

Advances made against approved Securities

**JAMES KELL, Esq., Governor**

THE  
**NATIONAL BANK OF AUSTRALASIA**  
 LIMITED

ESTABLISHED . . 1858.

**Head Office: MELBOURNE**

|   |                      |
|---|----------------------|
| <b>Authorized Capital (@ \$5 to £1)</b> | <b>\$50,000,000</b>  |
| <b>Capital Paid Up</b> . . . . .        | <b>\$20,000,000</b>  |
| <b>Reserve Fund</b> . . . . .           | <b>\$11,500,000</b>  |
| <b>Total Assets March, 1925</b>         | <b>\$205,888,875</b> |

With its 469 well spread offices the Bank provides a complete banking service throughout Australia, and is well equipped for the transaction of all classes of foreign business.

|   |   |   |
|---|---|---|
| Chief Manager<br><b>E. H. WREFORD</b>                           | Deputy Chief Manager<br><b>JAMES WILSON</b> | Chief Inspector<br><b>J. A. G. HADLEY</b> |
| Inspector and Manager, Foreign Department: <b>E. J. OSBORNE</b> |   |   |

London Office - 7 LOTHBURY, E.C.2.

**English, Scottish & Australian Bank,**  
 Limited

|  |                     |
|--|---------------------|
| <b>Authorized Capital</b> . . . . .                | <b>\$18,750,000</b> |
| <b>Paid-up Capital</b> . . . . .                   | <b>\$11,250,000</b> |
| <b>Further Liability of Shareholders</b> . . . . . | <b>\$7,500,000</b>  |
| <b>Reserve Fund</b> . . . . .                      | <b>\$9,750,000</b>  |

**HEAD OFFICE:—5, GRACECHURCH STREET, LONDON, E.C. 3**  
**and 384 Branches and Agencies in Australia**

**Chief Office in Australia—Collins Street, Melbourne**

BANKING AND EXCHANGE BUSINESS of every description transacted with Australia. **BILLS NEGOTIATED** or sent for **COLLECTION** **REMITTANCES** made by **TELEGRAPHIC TRANSFER**. **WOOL** and **PRODUCE CREDITS** arranged. **LETTERS of CREDIT** and **DRAFTS** issued on all the Branches of the Bank.

**Chief Agents in United States**

**NEW YORK—Guaranty Trust Company of New York.**  
**CHICAGO—First National Bank.**  
**SAN FRANCISCO—Crocker National Bank.**

**E. M. JANION, Manager.**



# THE BANK OF AUSTRALASIA

(Incorporated by Royal Charter, 1835)

**Paid-up Capital - - - - - £4,000,000**  
**Reserve Fund - - - - - £3,760,000**  
**Reserve Liability of Proprietors**  
**under the Charter - - - - - £4,000,000**  
**£11,760,000**

**Head Office, 4 Threadneedle Street, London, E. C. 2**

**EDMUND GODWARD, Manager**

**West End Branch, 17 Northumberland Avenue, London, W. C. 2**

**Branches in Australasia**

**VICTORIA**

Melbourne: 394 &  
 396 Collins St.: 384  
 Elizabeth St.: 71  
 Collins St. East  
 Brunswick  
 Burnley  
 Coburg  
 Collingwood  
 Elsternwick  
 Footscray  
 Malvern  
 Middle Brighton  
 Port Melbourne  
 Prahran  
 St. Kilda  
 Williamstown

Bairnsdale  
 Ballarat  
 Benalla  
 Bendigo  
 Bright  
 Castlemaine  
 Charlton  
 Chiltern  
 Cobram  
 Corryong  
 Drouin  
 Euroa  
 Fish Creek  
 Foster  
 Geelong  
 Katamatite  
 Kingston  
 Koroit  
 Korong Vale  
 Koroit  
 Leongatha  
 Mirboo North  
 Mooroopna  
 Morwell  
 Nathalia  
 Numurkah  
 Port Fairy (Belfast)  
 Rutherglen

**Victoria, Contd.**

St. James  
 Sale  
 Shepparton  
 Stawell  
 Strathmerton  
 Tallangatta  
 Terang  
 Traralgon  
 Tungamah  
 Walwa  
 Warragul  
 Warrnambool  
 Wedderburn  
 Welshpool  
 Wychepproof  
 Yackandandah  
 Yarram  
 Yarrowonga

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 Kogarah  
 Leichhardt  
 Marrickville  
 Newtown  
 North Sydney  
 (84 Mount St.)  
 Petersham  
 Albury  
 Ballina  
 Bathurst  
 Bega  
 Bellingen  
 Berrigan  
 Blayney  
 Broken Hill  
 Cessnock

**N. S. Wales, Contd.**

Cootamundra  
 Corowa  
 Crookwell  
 Dorrigo  
 Dubbo  
 Forbes  
 Glen Innes  
 Goulburn  
 Grafton  
 Grenfell  
 Hamilton  
 Howlong  
 Jerilderie  
 Kempsey  
 Kyogle  
 Lismore  
 Maitland (West)  
 Maitland (East)  
 Moree  
 Murwillumbah  
 Murrumbidgee  
 Narrabri  
 Narromine  
 Newcastle  
 Nowra  
 Orange  
 Parkes  
 Peak Hill  
 South Grafton  
 Stroud  
 Tanworth  
 Tullamore  
 Wagga-Wagga  
 Wee Waa  
 Young

**QUEENSLAND**

Brisbane  
 Fortitude Valley  
 Cairns  
 Charters Towers  
 Chillagoe  
 Cooyar  
 Crow's Nest  
 Herberton

**Queensland, Contd.**

Hughenden  
 Ipswich  
 Kingaroy  
 Longreach  
 Maryborough  
 Oakay  
 Richmond  
 Rockhampton  
 Roma  
 Toogoolawah  
 Toowoomba  
 Townsville  
**SO. AUSTRALIA**  
 Adelaide  
 Koorina  
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 Port Lincoln  
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 Wirrbara  
**WESTERN**  
**AUSTRALIA**

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 Bunbury  
 Fremantle  
 Gnowangerup  
 Kalgoorlie  
 Moora  
 Northam  
 Wagin  
 Wickepin  
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 Stanley  
 Ulverstone  
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 Feilding  
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Hamilton  
 Hastings  
 Hawera  
 Invercargill  
 Kaitiaki  
 Levin  
 Manakau  
 Mangonui  
 Marton  
 Masterton  
 Matamoras  
 Morrinsville

Napier  
 New Plymouth  
 Otaki  
 Palmerston Nth.  
 Patea  
 Raetihi  
 Rotorua  
 Stratford  
 Taihape  
 Taumarunui  
 Tauranga  
 Te Aroha

Te Kuiti  
 Temuka  
 Te Puke  
 Timaru  
 Waipawa  
 Waipukurau  
 Waioa  
 Wanganni  
 Waverley  
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National City Bank of New York  
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 Illinois Merchants Trust Co., Chicago  
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(with which is incorporated the  
AFRICAN BANKING CORPORATION, LIMITED)

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

|                    |   |   |   |   |   |                    |
|--------------------|---|---|---|---|---|--------------------|
| Authorised Capital | - | - | - | - | - | £10,000,000        |
| Subscribed Capital | - | - | - | - | - | £8,916,660         |
| Paid-Up Capital    | - | - | - | - | - | £2,229,165         |
| Reserve Fund       | - | - | - | - | - | £2,893,335         |
| Uncalled Capital   | - | - | - | - | - | £6,687,495         |
|                    |   |   |   |   |   | <u>£11,809,995</u> |

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HEAD OFFICE: 10, Clements Lane, Lombard Street, London, E.C. 4.

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# BANK OF NEW SOUTH WALES


## AUSTRALIA

|  |   |              |
|--|---|--------------|
| Paid-up Capital . . .                  |  | \$30,000,000 |
| Reserve Fund . . .                     |   | 22,000,000   |
| Reserve Liability of Proprietors . . . |   | 30,000,000   |
|  |   | \$82,000,000 |

Aggregate Assets, 30th Sept., 1925, \$400,047,015

OSCAR LINES, General Manager

417 BRANCHES AND AGENCIES



417 BRANCHES AND AGENCIES

**AUSTRALIA**  
 Pop., 6,000,000; area, 2,974,581 sq. miles; sheep, 80,110,000; cattle, 14,350,000; horses, 2,400,000; imports, \$785,500,000; exports, \$805,600,000.

**Annual Value of Australia's Products**

|                     |                 |
|---------------------|-----------------|
| Agriculture .....   | \$405,625,000   |
| Pastoral .....      | 514,215,000     |
| Dairying .....      | 210,559,000     |
| Mining .....        | 111,150,000     |
| Manufacturing ..... | 1,742,888,000   |
| Total .....         | \$2,984,446,500 |

Head Office—George St., Sydney      London Office—29 Threadneedle St., E. C.

### 417 BRANCHES AND AGENCIES

In all the Australian States, New Zealand, Fiji, Papua (New Guinea) and London  
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# Guaranty Trust Company of New York

140 Broadway

LONDON    PARIS    BRUSSELS    LIVERPOOL    HAVRE    ANTWERP

Condensed Statement, March 25, 1926

## RESOURCES

|  |                         |
|--|-------------------------|
| Cash on Hand, in Federal Reserve Bank<br>and Due from Banks and Bankers..... | \$117,182,397.50        |
| U. S. Government Bonds and Certificates.....                                 | 32,863,339.10           |
| Public Securities .....  | 15,420,278.82           |
| Other Securities .....   | 22,077,297.78           |
| Loans and Bills Purchased .....  | 350,815,732.80          |
| Real Estate Bonds and Mortgages .....  | 1,640,500.00            |
| Items in Transit with Foreign Branches .....                                 | 4,023,023.32            |
| Credits Granted on Acceptances .....   | 40,208,059.98           |
| Real Estate .....  | 8,099,861.26            |
| Accrued Interest and Accounts Receivable.....                                | 6,484,539.38            |
|  | <u>\$598,815,029.94</u> |

## LIABILITIES

|   |                         |
|---|-------------------------|
| Capital .....                                 | \$25,000,000.00         |
| Surplus Fund .....                            | 15,000,000.00           |
| Undivided Profits .....                       | 7,588,158.15            |
|   | <u>\$47,588,158.15</u>  |
| Accrued Dividend .....                        | \$708,000.00            |
| Accrued Interest, Reserve for Taxes, etc..... | 5,176,275.53            |
| Acceptances .....                             | 40,208,059.98           |
| Outstanding Treasurer's Checks .....          | 18,135,056.89           |
| Deposits .....                                | 486,999,479.39          |
|   | <u>\$598,815,029.94</u> |

## Editorial Comment

### GROWING COMPLICATIONS IN EUROPE

**G**REAT dissatisfaction in various quarters has followed the failure at Geneva to admit Germany to membership in the League of Nations. This dissatisfaction, while manifesting itself chiefly in Europe, has had its effects in the United States. A visiting American ambassador has been reported as making a decidedly gloomy presentation of the state of affairs across the Atlantic, and this has greatly added to the feeling of irritation following the breakdown at Geneva. As a result, the Allied debt question, which seemed to be making a slow progress toward adjustment, has been further complicated, and our relations to that problem have been made the subject of impolitic discussions in the English House of Commons and in the Senate of the United States.

This unfavorable change in the European situation is to be regretted, as it inevitably must hinder the return to economic health in that quarter of the world. At present conditions are none too good. England is still struggling with industrial depression, and the severe crisis in coal mining has not been successfully passed; France has been for months striving with opposing political factions in an endeavor to secure authority for levying taxes adequate to balance the budget; in Germany there is widespread unemployment. Elsewhere there are economic and political conditions which must defeat hopes of an immediate or early restoration of prosperity. The confident expectations which followed the Locarno Pact have not been fulfilled.

This state of affairs across the water is not one in which America can take any satisfaction, for it tends to upset

the political and economic equilibrium of the world. It contains possibilities of mischief so great as to preclude our indifference, and that should prevent our saying or doing anything to add to the existing feeling of irritation. It would be well if members of Congress and all persons would follow the admirable example of patience and moderation set by the President and Secretary Mellon. The effort to make political capital out of the European debt question is to be deplored, because such an attempt is bound to result in discussion of a character calculated to do serious harm.

Much has been said on the other side of the ocean tending to provoke America to speak its mind quite freely on the whole Allied debt problem; but unless one could be sure that this would result in good, silence is the wiser course. It is a thorny subject. The President and Secretary of the Treasury understand the matter fully. They can be relied on to handle it with firmness and patience. And when it is necessary to say anything they will speak with dignity and moderation. Why not allow them to speak for the country?

### INTERNATIONAL ECONOMIC BARRIERS

**T**HE natural barriers which have heretofore operated to render difficult the free intercourse of nations—such as time and distance—have been largely removed, thanks to science and invention. In foreign dealings we no longer have to wait the course of the mails, but can communicate with peo-



ples in distant lands and across seas almost as quickly as with those at home. Means of travel have been so vastly improved that, where personal contacts are necessary, they may be made with very little delay.

Unfortunately, as these seemingly-insurmountable obstacles have disappeared others have been set up in their place. It would seem that, despite the manifest lessons of experience pointing to the desirability of closer co-operation between nations, and notwithstanding invention has been alert in making this possible, the "statesmen" of the world, following a spirit of the narrowest and most intolerant nationalism, are bent upon frustrating the attempts of mankind to display a reasonable spirit of conciliation and co-operation.

Differences in language have long constituted a very serious hindrance to the free interchange of ideas and commodities between nations, and these differences are hardly capable of reconciliation. The day of a universal language yet appears far off. But three or four of the world's great languages are so widely spoken as to make this difficulty less formidable than it has been. In fact, a knowledge of English alone will carry one through very well in the higher circles of commerce and finance all around the world. As travel has greatly increased in recent years the knowledge of foreign tongues has become more diffused, and this has mitigated the difficulty under consideration.

The Great War and its aftermath of new and small nations added a number of economic barriers of various kinds and brought one or more new languages to light. Europe finds itself, in this respect, much worse off than it was before the great conflict. Bad as this situation had been under prosperous economic conditions, it has become almost intolerable under the stagnant situation in which the trade and industry of several of these countries are placed.

The situation was very aptly described in a review made a short time ago for the

Council of the International Chamber of Commerce by Dr. Walter Leaf, the distinguished chairman of the Westminster Bank. He said:

"Everywhere, with hardly an exception, there are the same complaints of the difficulty of finding markets for manufactures. The capacity for production is there, and is generally much larger than in pre-war times; but the products are stagnating because they are refused, or at least hampered by foreign tariffs and trade barriers. Hence unemployment, stagnation of industry, and a lamentable waste of potential human energy. The whole standard of living is lowered by the artificial restrictions on human efficiency. A European Trade League would have open markets on at least the same scale as those of the United States, and would thus be able to compete in production on equal terms with that vast area of free trade intercourse. National jealousies force us here to employ in suicidal trade struggles the efforts which should be concentrated on the general advancement of human well-being. It is for the International Chamber to do its best to educate the world to this wider outlook. That is the task which we are setting before ourselves for this year. I appeal to you all for your hearty support to the great work."

This suggestion would seem to point to some form of customs union to be adopted among all or part of the European nations. Such an arrangement would broaden markets, increase production, and promote individual and national prosperity.

It may seem anomalous that what looks so much like free trade should receive approval from America. But, should Europe follow this plan, it would be in fact taking a leaf out of America's book, for we have free trade here among forty-eight states. Europe might have free trade among the nations of the Continent, or between certain groups, and still retain a tariff against the United States and other countries.

So far as this country is concerned,

we should probably be the gainers by a policy such as that above indicated. Certainly we should be if it resulted in greater prosperity and increased buying power among the European peoples.

There are other serious and unnecessary hindrances to free international intercourse; such are passport and many other purely petty and vexatious annoyances to which travelers between various countries are subjected. These could be easily and quickly removed, and in this beneficent work the United States of America might well take the lead.

### BANK VOTING TRUST UPSET

**B**Y a recent court decision in New York a bank voting trust has been declared illegal on the ground that it is against public policy. This decision quite naturally brings up for review the whole matter of control of banks and other corporations. In theory a corporation should be controlled by its stockholders—those who own it; but, in practice, considerable difficulty is experienced in making this rule effective. This is particularly the case in the United States, where the average shareholder in a corporation is a much more docile being than in most other countries. The shareholder in a British corporation frequently appears at the annual meeting with a lot of leading questions for which he demands satisfactory answers; and, failing to get them, he does not hesitate to express his opinion of the management in plain terms. These remarks are often published in full in the newspapers. Thus a corporation's affairs are subjected to an annual process of ventilation. American shareholders take a less lively interest, as a rule, in the annual meetings of the corporations in which they are interested. Often they do not even take the trouble to designate a proxy to represent them, unless their holdings of shares are large. This tendency to avoid, or at least to transfer, the responsibilities of management finds its extreme illustration in the voting trust, a device where-

by control of a corporation passes from the stockholders to a small body of directors or officers, with self-perpetuating power. The purpose of thus centering and fixing the management of a corporation does not necessarily imply improper motives (in fact none were imputed in the New York case), but the contrary object may be the one in mind; that is, to insure that control shall be kept in competent and honest hands—a result not always attained where the stockholders' hands are untied.

While voting trusts that may be self-perpetuating, or for long terms, may be objectionable, this objection would be removed if these trusts were revocable at the pleasure of the shareholders; but, on the other hand, this would tend to defeat one of the main purposes for which the voting trust is established—to provide for continuity in the management.

Much criticism has been aimed at directors who fail to direct, but little has been said of the unconcern with which shareholders treat the obligations implicit in their ownership of the shares in corporations.

### A CONTEMPLATED FINANCIAL "CRIME"

**I**N thus designating the proposal to recharter the Federal Reserve Banks a leaf is taken from the romantic history of finance as written by the free silver partisans and the advocates of Government paper "money." Who does not know of the great "crime of 1873" and the "seven financial conspiracies?" The pens of Dumas, Balzac and Wilkie Collins have described no darker deeds nor none displaying a more vivid imagination.

The celebrated "crime of 1873" consisted in striking out the standard silver dollar from the coinage act of that year. It was long and violently asserted by the champions of silver that this was done surreptitiously and at the behest of the bankers and capitalists generally. No

amount of denial ever convinced the makers of these assertions that they were mistaken. It was shown conclusively that the standard silver dollar, never having been in the bill, could not have been dropped from it by the enemies of silver. But all arguments were in vain, and many thousands, even millions of people honestly believed that this "crime" against silver was actually committed. Eminent members of the House and Senate at the time shared in this belief.

This strange chapter from American financial romance is recalled at this late day because its imagined happenings are revived by the actual method employed to effect a perpetual rechartering of the Federal Reserve Banks.

A bill known as the McFadden Bill has been pending in Congress for long over a year. It passed the House at the last session of Congress, but failed in the Senate. It again passed the House at the present session of Congress and again went to the Senate, where it is still pending at the time this is written.

While the bill was drawn chiefly with the object of clarifying the branch bank situation, with the aim to place state and national banks in a more equal position with respect to the right to establish and maintain branches, several other provisions were embodied in the measure relating to the conduct of the business of national banks.

After dragging along, in the manner indicated, during two sessions of Congress, the bill during the present spring went to the Banking and Currency Committee of the Senate, where several changes were made. At the very end of the bill this provision was added:

"Sec. 20. That the second subdivision of the fourth paragraph of Section 4 of the Federal Reserve Act be amended to read as follows:

"Second. To have succession after the approval of this act until dissolved by act of Congress or until forfeiture of franchise for violation of law."

That is all. By this simple provision

the Federal Reserve Banks are given an indefinite lease of life, instead of the twenty years given them by the existing law.

In the original McFadden Bill there was no such provision, and none was inserted until after the bill had twice passed the House. The rechartering of the Federal Reserve Banks was not contemplated as a part of this measure. It has been added very quietly, and in a way that goes far to justify the suspicion that it was done surreptitiously and with the hope of making its adoption a part of the price the sponsors of the original bill must pay if they would have their measure become a law.

Even though this suspicion may be without foundation in fact, there are good reasons why this amendment should be killed. It is the wrong way to legislate on so important a matter. The provision for rechartering the Federal Reserve Banks ought to be made in a separate bill, carrying such changes in the Federal Reserve Act as further experience may show to be necessary. For this there is plenty of time, as the existing charters do not expire until 1933. No occasion whatever exists for seeking by stealth to give the Federal Reserve Banks a renewal of their charters now.

#### PROPOSED CHANGE IN OUR FORM OF GOVERNMENT

**W**HEN the Constitution of the United States was formulated great care was taken to establish a republican form of government as distinguished from a pure democracy. In the latter type of government the people themselves make and execute the laws; in the former they exercise these functions through elected representatives.

Pure democracies have never been permanently successful. Familiar examples of this type of government were afforded by Greece in ancient times (where the great majority of the people were slaves),

and in recent times by the Russian Soviets in the early stages of their history. There has also been a limited application of the principle in the Swiss cantons. Experience seems to show that in countries having extensive territory and large population the democratic type of government is unworkable.

But whatever views one may entertain as to the merits of the respective forms of government, nothing is clearer than that the makers of the Constitution, with the world's experience to guide them, deliberately rejected the democratic form for that of a republic. The Constitution likewise, in express terms, guarantees a republican form of government to the component states of the Federal Union.

It is true that in recent times many of the states have ventured far in the direction of a pure democracy through such instrumentalities as the initiative, referendum and recall. Measures have been brought up at elections substantially requiring the voter, under the heat engendered by a political campaign, to exercise the function of the legislator. The result has been decidedly unsatisfactory.

Now it is proposed to extend this democratic experiment into the domain of Federal legislation. A resolution introduced into the United States Senate by Senator Walter E. Edge of New Jersey provides for a referendum on the following question:

"Shall the Congress amend the National Prohibition Act so as to allow the manufacture, sale, transportation and possession of beverages containing as great an amount of alcohol as is lawful under the Constitution, provided that such amendments shall not interfere with the constitutional powers of the several states to legislate with respect to intoxicating liquors as each state may deem proper?"

It will be seen that Senator Edge virtually contemplates transferring the legislative power from Congress, where it is

lodged by the Constitution, to the people themselves.

Of far greater importance than prohibition is this revolutionary proposal for transforming the republic of Washington, Franklin and Madison, into a democracy.

#### APPARENT DECLINE IN THE NUMBER OF BANKS

**S**PECULATIONS are already being entertained as to the effects of legalized branch banking upon the number of independent banks existing in the country. There can be little doubt, should branch banking be generally authorized by law, that the number of independent banks would grow less.

It would seem that of late years some tendency toward a reduction in the number of banks has developed, though it has probably been due to other causes than the limited introduction of branch banking. In the first place, there has been a marked recession of the banking enthusiasm, which reached its culminating point early in 1920. Furthermore, in recent years bank failures have been sufficiently numerous to have an effect in bringing about a reduction of the aggregate of existing banks.

The Comptroller's Report for 1925 gives the total of reporting banks of all classes other than Federal Reserve Banks as 30,139 in 1920, against 28,841 in 1925. These figures do not necessarily represent the actual number of banks on either date, for the reason that except in the case of national banks reports to the Comptroller of the Currency are not obligatory. We can be sure of the accuracy of these figures only on the assumption that the banks were as much disposed to make voluntary reports at one time as another. If this assumption be correct, the number of banks in the United States is declining notwithstanding the increase in population and business. This may be due to causes already indicated, or it may be a forerunner of what is destined to happen

once the amalgamation movement is fairly under way.

From some figures recently published in the *Sun* of New York it would appear that in the city named the number of banks disappearing since 1917 on account of mergers, etc., has been exactly matched by the number of new banks organized in the same period—thirty-six in each case. This is one phase of the consolidation movement often overlooked, that new banks are apt to spring up as rapidly as old ones disappear. But when the amalgamated banks have branch privileges the ability to organize competing independent banks will be greatly diminished. With some 29,000 existing banks, the day of banking monopoly seems far removed.

### THE HEART OF THE TAX PROBLEM

**W**RITING on the above topic in the March, 1925 issue of *THE BANKERS MAGAZINE*, William P. Helm, Jr., made this significant observation:

“Between local and Federal debt there is this distinction: the Federal Government is rapidly reducing its debt while local governments are rapidly increasing theirs.”

So long as this is true the people of the country will be disappointed in obtaining real relief from the growing burden of taxation; because, so far as the average citizen is concerned, the Federal income tax is now insignificant compared with state and city taxes.

Coupled with the news that the most recent income tax legislation will during the present year effect a reduction of taxation to the extent of \$319,000,000, comes the announcement that in 1925 the indebtedness of the states increased by \$155,674,590. If to this municipal debts are added, it will be found that the outlook for lower taxes in the near future is not bright, for increased debts

necessarily mean, in the long run, increased taxes.

Rising costs of labor and materials explain the increase of indebtedness to some extent, but it is mainly due to the eager desire for improvements—new municipal buildings, school-houses, parks, bridges, roads, etc.—the unwillingness to postpone these improvements to times when they might be carried out with less financial strain.

Theoretically, it might be very fine if constructive work of this nature could be paid for at once out of surplus revenues. But this, while actually resulting in enormous savings of interest, would greatly postpone the march of improvement and might conceivably be more costly in the final analysis than the present policy of financing such improvements by borrowing.

Admitting this, however, does not alter the fact that we may be mortgaging both the present and future for state and municipal improvements of less importance to the public welfare than an abundant and cheap supply of capital for industrial enterprise, which after all is of prime importance to the continued prosperity of the country. At all events, it is plain that until the tendency toward the increase of state and municipal debt is moderated, we shall not reach the heart of the taxation problem, which is essentially one of debt reduction.

### THE DECLINE IN FARM LAND PRICES

**B**ETWEEN 1920 and 1925 farm land “values” are reported to have fallen off some 31 per cent. This situation was thus dealt with in a recent speech in the United States Senate by Senator McKinley of Illinois:

“In a brief analysis of the situation in my own state, I find that the 30,736,000 acres in farms, which were worth, land and buildings, \$187.59 an acre in 1920, are worth today on an average of only \$136.79, a depreciation in value of

[Continued on page 727]



## SHOULD THE FEDERAL RESERVE BANKS BE RECHARTERED NOW ?

BY FRANK A. VANDERLIP

THE question of renewing the charters of the Federal Reserve Banks comes up while there are still most vivid recollections in the writer's mind of the years of preparatory work which led first to the Aldrich proposal for a central bank and later to the modification of that proposal into the existing law.

It is doubtful if there is any one whose opinion would be respected who would not freely admit that the Federal Reserve Act has been a great success. It has been more than a success. It has carried us through the trying period of war financing and the depression of 1922, rocks on which we might readily have broken under the old system. It has meant a far sounder banking condition than we have had heretofore; it has given us scientific handling of bank reserves and has lowered money rates, saving us from the strain that before arose when periodic currency demands operated to deplete individual bank reserves.

### ACT OF GREAT VALUE TO BUSINESS

The Federal Reserve Act has been of great value to American business and to the world at large, but it is not a perfect

act. Some of the criticisms that were leveled against it at the time of its formulation have proved to be unfounded, or at least not fully sustained. Some were sound criticisms and would stand against the act today. Some defects have developed that were not foreseen.

If this is a correct statement the question naturally arises—and it is the question THE BANKERS MAGAZINE has asked the writer to discuss—as to whether the charters of the Federal Reserve Banks should be renewed now.

On one hand it may be granted that there are some defects in the present law that could be remedied c o n v e n i e n t l y

in rechartering the banks. One might answer that there is no hurry, as the present charters are some time away from expiration. Every one familiar with our financial history, however, remembers the fight between Andrew Jackson and the second United States Bank, the evil effect upon business conditions of bringing that fight into a partisan Congress and the grave effects that followed. The effect of the error of that day, however, would be small indeed compared to the economic catastrophe which will result if the question of renewing the



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FRANK A. VANDERLIP

Financier and former president of the  
National City Bank of New York

Federal Reserve Bank charters gets into a partisan political aspect, and particularly if by any chance the question has to be debated in a temporary period of hard times when a dissatisfied people would listen to buncombe speeches rather than intelligently appraise scientific argument.

Here appears to be a difficulty on either horn of the dilemma. If we renew the charters now we either embody existing errors or run the danger of turning the matter into a partisan question. If we wait until the charters are nearly expired we may find ourselves in a bad economic atmosphere, perhaps in a radical political situation, and possibly face grave danger.

Happily, a plan has been brought forward that will avoid every difficulty. I am told it originated with Secretary Mellon. Whether it did or not it is certainly worthy of that most astute financial statesman.

There has been embodied in the McFadden Bill, now before Congress, a proposal for the indefinite extension of the present charters, leaving with Congress the fullest power to at any time make any alteration in the charters that it sees fit. This removes the question from the position where a rapidly approaching day of expiration would be almost certain to lead to a partisan and dangerous discussion, and conceivably to inadvertent extinction of the system. On the other hand, it leaves the way clear for an unheated discussion of any weaknesses of the present system and for the embodiment in new legislation of such changes as experience indicates there should be.

It seems to me that this is an extremely happy, clever, and wise disposition of a possibly dangerous situation.

There are some changes that ought to be made in the Federal Reserve Act. I believe the greatest weakness that has developed in practice has been the steady deterioration in the quality of the Federal Reserve Board at Washington. The experience and capacity of the board as now constituted would be severely

tested in a serious crisis. The board occupies itself more with minor matters of internal administration, with questions of appointments and salaries, than it does with the understanding application of sound banking principles.

As the act has worked out, the advisory board, which ought to have been a body of great importance, has really been of small significance. It would be desirable if this body's relation to the system was emphasized.

A sober discussion of the requirements that a bank's reserve be in cash or in deposits in the Federal Reserve Bank would be useful. The making of Federal Reserve notes a Government obligation should be reviewed in a calmer light than when the original measure was formulated and the fact that these notes are generally used as reserves by state banks should have its significance weighed.

Throughout the country there is a deeper resentment I believe than New York realizes over what is regarded as a cruelly abrupt deflation following the expansion just after the close of the war. That action was at that time unfortunately an error in management. The inflation period should have been shortened and rates raised at a much earlier date than such action was agreed to. The real evil was not that the board raised rates and halted the inflation, but that it delayed so long in doing so that the inflation reached dangerous proportions. Deflation became in many cases desperately abrupt and many losses, especially in rural communities, were both severe and unnecessary. All that, however, was an error of judgment rather than a defect in the law.

It is of vast importance that the country be assured that we will reach no political impasse in respect to renewing the charters. The act as it stands is, let us say, 95 per cent. good.

The idea of an indefinite extension of the present charters prevents the pos-

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## CAPITALISM—OR WHAT ?

BY BERTRAND RUSSELL

EVERY conceivable economic system has certain merits and certain demerits. Capitalism cannot be approved solely because of its merits, or condemned solely because of its demerits. It is necessary to strike a balance between the two, and compare this balance with that of any other projected system. The writer's belief is that this cannot be done in the abstract, but only in relation to given geographical and historical conditions. The answer might, therefore, differ according to time and place. It is fairly obvious that capitalism succeeds best where rapid economic progress is possible, and worst in times of stringency. This accounts for the fact that there is more socialism in Europe now than in Europe before the war or in present-day America.

During the war, the methods of capitalism were abandoned by all European belligerents, because they were found to be wasteful. A most instructive book, from an official point of view, is Sir A. Salter's "Allied Maritime Shipping Control," telling how all maritime economic intercourse was regulated by an international governmental authority, because the free play of economic forces would have made the conduct of the war impossible. Now the war was, of course,

an exceptional period, because there was a public object which struck the ordinary man as important. In times of easy prosperity, this is not the case; but in times of diminishing wealth, such as Europe has experienced in recent years,

man became anxious to avoid waste, and turn to public organization as a means to that end.

Let it be conceded that capitalism, in its early stage, makes for rapid technical progress. The writer does not believe that England in the first half of the Nineteenth Century, or America down to the present day, would have been developed so quickly by any other method. Capitalism, however, like feudalism, has a certain internal law of development, which causes it to diminish in social efficiency as it grows

older. In its early phases, it involves intense competition, leading to the rapid elimination of the unfit. But as the survivors become fewer, competition diminishes, and the inevitable end, in many directions, is monopoly, actual or virtual. Monopoly, once achieved, is sustained by methods not involving efficiency; control of railroads, markets, wharves, and above all control of credit. Instances are not infrequent of large firms buying up new inventions, not in order to use them, but in order to prevent them from being



BERTRAND RUSSELL  
British economist and author



used. Gradually there comes to be an hereditary aristocracy in control of big business, and in the long run it is bound, like all hereditary aristocracies, to become lazy and inefficient.

Meanwhile the employes become organized, and seek to eliminate competition for jobs. This is merely the other side of the movement which leads to trusts. Trade unionists, being convinced that improved methods only enrich capitalists, have no interest in them, and tend to become technically conservative. Industrialism is newer in America than in England, and has not yet gone so far in this direction as in England; but it is bound to develop on similar lines, particularly if the limitation of immigration now in force continues.

#### PLACATING THE TRADE UNIONS

In times of increasing prosperity, trade unions can be placated by concessions which leave the capitalists a comfortable margin. But when bad times come, the situation is changed. The present position of the British coal industry illustrates the difficulties which then arise. The employes are strong enough to be able to refuse any reduction of wages; the employers assert that unless wages are reduced, they must close down or work at a loss. Last summer, this impasse threatened to lead to a civil war in which, probably, about half the population would have died of hunger; to avert this catastrophe, the Government stepped in and paid the employers to keep the mines open. Obviously, when this point has been reached, socialism is conceded in essence as regards the mining industry. And this step was taken by a government recently elected on the pledge that it would resist socialism. It is useless to urge that the employes ought not to be so unreasonable: from their own point of view they have been supremely reasonable, since they have succeeded in maintaining their standard of life. What makes the incident so important as a departure from capitalist theory is the fact that the coal industry is being kept going

by public money for a public object, and is no longer governed wholly by the motive of private profit. Nominally, this is a temporary measure, but it is not easy to see how the subsidy can be discontinued without bringing about all the disasters for the prevention of which it was granted.

— The essential tenet of capitalism is that, in the economic sphere, the motive of private profit will lead men to act in ways conducive to the public interest, not invariably, but more frequently than any other motive that can be devised. There is a large element of truth in this, and the writer is not one of those who think it possible to dispense wholly with the economic motive. The question is rather as to the restrictions to which it is to be subjected. Broadly speaking, some ways of making money are beneficial to others, while some are harmful. The man who makes money by new inventions or better organization is a public benefactor; the man who makes money out of a monopoly is no more useful than a highwayman. Take again the coal industry; the union, the manager, even the mine owner, give service in return for their remuneration, but the recipient of royalties does nothing whatever. The same thing applies to every form of economic rent. There is, therefore, no advantage to the public in allowing economic rent to go to private persons, and no form of useful activity would be impeded if it went to the public, as proposed long ago by Henry George. Indeed there would be a very definite gain, because the cleverness that now often goes into acquiring monopolies would have to go into cheapening production or some other socially useful form of activity.

#### THE CONTROL OF CREDIT

A matter which is of vital importance in modern industry is the control of credit. Credit is at present controlled, in the main, by a small oligarchy of immensely powerful banks. This is con-

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# AMSTERDAM AS AN INTERNATIONAL FINANCIAL CENTER

By GERLOF VERWEY

EVER since the war much consideration has been given to the probable future development of Amsterdam both as an investment and as a money market. During this time both Berlin and Paris went out of the field, while the continental activities of the London market almost came to a standstill and were largely taken over by Amsterdam, which became the chief financial center on the continent of Europe.

Now that conditions once more seem fairly stabilized, the moment seems favorable for a more accurate study of the underlying factors which play their part in the formation of an investment and money market of international importance in The Netherlands. A comparison with the situation before the war will, in this connection, be of interest and will greatly help toward an understanding of the present condition and future possibilities.

## CHARACTERISTICS OF THE INVESTMENT MARKET BEFORE THE WAR

Two characteristics mark the Dutch investment market before the war: (a) its great power of absorption and (b) its distinctly foreign outlook. Underlying these characteristics are a number of factors, which go far toward explaining the peculiar structure of the Amsterdam investment market and which, for this reason, will be dwelt on at some length.

As the figures mentioned on page 682 of this article show, capital issues in Holland in pre-war years amounted to nearly 500,000,000 guilders a year, an amount which may be considered rather large for a country of (at that time) about 6,000,000 inhabitants. This figure, how-

ever, will be better understood if it is remembered that the market in Holland has a wider scope than in most other countries. Funds which in other countries, would be carried to commercial and savings banks, in Holland largely find their way to the investment market. Social classes, which in most other countries, would not think of investing in securities, will do so in Holland. The Dutchman does not save so much for the very sake of saving (as is done in other countries) as for the sake of buying a security as soon as he has saved enough to do so.

Securities are popular both on account of their higher yield, and because they have a long tradition back of them. It will be remembered that the limited liability idea and the use of shares originated in Holland, shares of the Dutch East India Company being traded in as far back as 1608. From that time onward the Dutch investing public has for centuries been acquainted with the securities market. Investment in securities moreover suited the peculiar character of the Dutchman, who is always willing to run a risk provided it is reasonable.

The peculiar character of the Dutch investment market will be better understood if it is contrasted with a country of about the same size, but opposite development—Sweden. The Swedish people have had little opportunity to become acquainted with securities and up to date prefer to deposit their money in the banks, the result being that Sweden today has a comparatively little developed investment market (in 1925 Sweden brought out issues totalling \$50,000,000 while Amsterdam brought out \$120,000,000) but on the other hand can

boast of commercial and savings bank deposits amounting to nearly \$2,000,000,000, whereas Dutch bank deposits probably do not surpass \$600,000,000.

#### HAS DISTINCTLY FOREIGN OUTLOOK

The second feature of the Dutch investment market before the war was, as mentioned before, its distinctly foreign outlook. Here again, the past must be studied in order to find a satisfactory explanation. Holland for centuries has been an agricultural country, backed by a relatively very important foreign trade. The industries, while gradually becoming of more than national importance, were slow in developing and required only small amounts of capital. The international trade, also the re-export trade, has always been of the highest importance, but commerce and re-export trade, due to their quick turnover, need only a small capital outlay. This explains why Holland—being geographically very favorably located—could carry on (and still carries on) an enormous foreign trade in relation to its size<sup>1</sup> and yet have large amounts of capital available for investment abroad.

A short historical review in this connection may seem desirable. Holland was the world's chief investment market during the latter half of the Seventeenth and the greater part of the Eighteenth Century. The Amsterdam Stock Exchange had been opened in 1608 and there was already a speculative stock market with all the modern technical equipment, like clearing, etc. France, Austria, Denmark, Spain, Sweden, Russia, Poland and all the German princes contracted loans in Amsterdam. Holland also actively participated in investments in England and at one time Dutchmen were estimated to own one-third of the capital stock of the Bank of England, the

English East India Company and the South Sea Company, while of the £140,000,000 of British national debt outstanding at about 1750 no less than £58,000,000 were in Dutch hands. In the Nineteenth Century attention turned to North America and Holland took an active part in the financial promotions which marked the latter half of the Nineteenth Century. Amsterdam became the principal market for American securities on the Continent of Europe.<sup>2</sup> It was there that special facilities were created in order to make American shares more easily transferable.

Though of course, generally speaking, Amsterdam as an investment market gradually lost the important position it had held in former centuries, yet, as has been illustrated before, its power of absorption is still very great. Up to the war, few foreign issues could appear in London, in which Amsterdam did not participate. And as an illustration of pre-war conditions it is now of particular interest to see that among the issues brought out in Amsterdam in the last pre-war year (1913) there is a \$25,000,000 loan of the City of New York.

The importance of foreign issues on the Amsterdam market is visible from the following figures representing the domestic and foreign issues brought out in Holland during the years 1909-1912, which may be regarded as well illustrating the situation before the war:

| Year | Domestic and colonial | Foreign | Total |
|------|-----------------------|---------|-------|
| 1909 | 119                   | 407     | 526   |
| 1910 | 172                   | 314     | 486   |
| 1911 | 273                   | 214     | 487   |
| 1912 | 178                   | 223     | 401   |

In the period 1909-1912 of the 1,900,000,000 florins issued, no less than 1,158,000,000 or 60 per cent. represented foreign issues.

In accord with these figures is the fact

<sup>1</sup>Holland in 1925 handled \$230 of foreign trade per capita, Great Britain \$226, and America \$76. These figures, however, do not take into account the through trade, which in the case of Holland is very important, for Great Britain is small and for America negligible.

<sup>2</sup>Of the 1713 securities quoted on the Amsterdam Stock Exchange in 1912 no less than 377 were American.

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## WHY COMPTROLLERS ?

BY RICHARD W. SAUNDERS

ALL things must in due course justify the reasons for their existence and even so must comptrollers explain what they do and why and how they do it. While the title "comptroller" is not new, it has only recently come into rather general use. The functions certainly are not new for they are too vitally necessary for the proper conduct of any business to have remained unexercised. In fact it might be said that in recent years the development of the comptroller's duties has come through a gathering together of certain functions that have heretofore existed in other hands and centering them in that individual.

There is always a considerable gain in the recognition of the need for such an officer and the assigning to him of certain duties. He is thereby clothed with authority and is in a position to make his influence felt. And if the comptroller is a man of experience and tact, with strength of decision and purpose to support his position, then his influence for good is increased. Sometimes the mere fact that there is such an office is enough to act as a restraint when a restraint is necessary.

### THE COMPTROLLER'S AUTHORITY

It might also be stated that the authority of a comptroller depends greatly not only upon his own personal make-up but also upon the type of men with whom he is associated. The comptroller may simply be a gatherer of facts whose duty it is to call to attention tendencies revealed by his reports and statistics. Or he may be an executive carrying out in departments other than accounting, the policies decided upon as proper. In the latter case there is the likelihood of a division of authority, which would not make for good organization. As soon as

the comptroller loses his position of an "outside observer," he is placed in the position of criticizing his own work. In such cases he might better be given a different title such as "executive vice-president" for he will have stepped out of the real functions of a comptroller.

The comptroller's business, primarily, is to examine and take charge of accounts; hence to direct or control. He is nearly always in charge of the books of account and auditing, prescribing rules for the routine of the business and deciding special cases that arise under them. Some comptrollers insist upon matters arising in their departments being routed through them on their way to other executives which in matters of great importance is usually the wisest plan. In many instances, however, this will mean delay, and as long as the comptroller is kept in knowledge of what is being done by means of copies of memorandums, reports, etc., it is oftentimes better if the heads of his departments deal direct with other executives. For example, if an audit reveals something that requires immediate attention and the auditor understands the question thoroughly, he can without question deal direct with the executive whose business it is to attend to such matters and have immediate action taken. Although the auditors as a rule report to the comptroller, there should be a measure of independence on their part enabling them to check even the operations of the comptroller himself.

### THE BUDGET AS AN AID

One of the comptroller's strongest aids is the budget, which is commanding more importance every day. When the budget has been carefully prepared, based upon the figures of previous years, the type of product, the appropriations and opinions of executives and all the other

factors that make up a forecast of this kind, it will then be possible, by means of weekly reports indicating how the actual expenditures agree with the budget expectations, to control and keep the corporation in the right channel. While some people consider the budget as a sort of "pious hope," if carefully prepared it is astonishing how nearly it can be lived up to. Special cases of moment will probably arise but as a rule they are financed specially, that is, at the time they are approved a method of increasing the income is provided. In such cases, it might be said in passing, it is well to change the budget to take care of the new situations rather than to adhere to the old figures and be under the necessity of continually explaining variations from the original figure; in other words, the budget is not fixed but changeable as often as important operations become necessary.

Waste is being recognized by all great corporations as a curse, and with this the comptroller must have a great deal to do. It is almost incredible how such items as traveling expense, telegrams, long distance telephone messages, stationery, etc., mount unless continually watched. By keeping a proper ratio between income and expenditures and by insisting upon prompt cutting of expense during a falling income, the comptroller can do much to justify his existence. He can also show for example, that although a larger volume of business has been acquired in certain branches, the cost of this additional business is out of all proportion to the added income.

#### APPLYING THE BRAKES WHERE NEEDED

With these briefly stated facts the "why" can be better answered. All business concerns require a brake; that is, something to keep their activities within the limits of safety, especially when on the downward grade or during a slump. The importance and value of a comptroller to his organization are obviously greater when business is slack than when it is not. Corporations need someone who can throw a spotlight on the road

ahead and show how that road looks and what the chances are of encountering danger spots in it. Someone is also needed to keep his eye on the machine as a whole and to see that it is functioning in all its parts. It is at this particular point that extreme tact and courage are required of comptrollers. The executive control is in the hands of a president, executive manager, or someone whose duty it is to take care of the machine as a whole and to a certain extent the comptroller is likely, unless very careful, to impinge upon such executive authority. Except in his own group of departments, a comptroller is essentially an advisory officer calling the attention of executives in charge to the importance of certain figures which reveal tendencies that have developed. It is his duty to gain the confidence of such executives and have them clearly understand that the matters are being called to their attention, not for the purpose of criticism but with the constructive thought in mind of cooperating with them in order to rectify the trouble. In many cases such executives have information which justifies them in their own minds in taking a given course of action. Therefore, the comptroller must make the approach with the proper amount of tact and diplomacy. When the executives begin to look upon the comptroller as an outside man or one who is constantly criticising without due consideration for their own feelings in the matter, friction is very likely to result and a large part of the benefit lost.

#### THE COMPTROLLER'S OUTSIDE CONTACTS

This also applies to the comptroller in connection with his meeting the outside world. He has certain contacts with suppliers of various goods and materials, customers and banks. For example, by keeping the banks thoroughly advised of the operations of the company and proving to them through reports of the company and supplementary explanations, if necessary, that a steady gain is being made; that spasms and hysteria are absent from the company's operations; and

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## WHAT MAKES BANK PUBLICITY GOOD ?

BY G. PRATHER KNAPP

**I**T would scarcely raise a storm of dissent to say that it takes a cook to explain a dinner, a surgeon to explain an operation, a lawyer to explain a statute. And yet there is almost the element of news in recent recognition of the fact that it takes a banker to explain a bank.

There was a time—and not a very distant time either—when bankers listened readily to the suggestion that what they needed in developing new business was “the outside viewpoint.” The “man in the street,” according to this suggestion, was and always would be uninterested in banks and bankers. What he wanted (according to those who claimed to know him) was “inspiration literature,” “thrift preachments,” “messages to Garcia,” “heart throbs,” “pep talks,” “human interest copy,” “health hints,” “historical broadsides,” “biographical examples,” “artistic appeals,”—anything and everything but specific reasons why he as a particular individual should use the service of a particular bank. The pernicious feature of these statements was (and is) their partial accuracy. Every one of the qualities mentioned can make good bank advertising better. Not one of them can or ever could make good bank advertising good. They are simply vehicles of expression and unless the ideas they express are products of a bank-trained mind, they will be “sound and fury, signifying nothing.”

### QUALITIES NEEDED IN THE WRITING OF GOOD BANK COPY

With due deference to the sublimity of the comparison, he who would write good bank publicity must “speak as one having authority and not as the Scribes.” Unless he has talked to Mat Sullivan at his work bench about opening a savings ac-

count, unless he has chatted with Mrs. Mat Sullivan when she opened that account, unless he has kept fairly close contact with the Sullivans while their account grew to the point where speculative land began to look attractive, and has helped to turn their minds to a needed home or a safe investment, all the fine writing ability in the world will not help him to produce good savings copy. He may be able to “promote thrift;” he may be able to “spread economic truth among the masses;” but he will fail at the essential job of teaching real people to use a real bank.

Unless he has told Mrs. Masterson why she cannot telephone instructions to have her safe deposit box opened and her coupons clipped, unless he has discussed her summer trip and the protection of her silverware with her, his safe deposit copy will lack something of the ring of truth, and if these things are true of safe deposit and savings copy, they are doubly, trebly, and a thousand-fold true of advertising for commercial bank service and trust department relationships. The only thing that the bank has for sale in the commercial or trust department is a highly specialized and professionalized service, and the effort to explain this service on the part of a man who understands it less than do the people to whom he is explaining it, often produces ludicrous consequences.

For example, the writer saw a piece of copy less than six months ago, written by a man who was actually holding the job of advertising manager for a commercial bank, which gravely stated that his bank was prepared to supply working capital through its commercial department. Nor will the writer soon forget the indignation of a certain great slogan writer when a banker frowned on his suggestion that each advertisement

of the trust department carry the slogan, "The Trust to trust."

Good advertising men who would write bank publicity of that qualification alone have a bad effect not only on their own earnings, but on the whole field of bank publicity. They spend laborious days in writing and rewriting copy which bankers must reject. If they spent half the time studying the subject that they spend in "selling" the banker, they would see more money spent on bank advertising.

The writer once had occasion to talk with a bank president on the best way to select a man for his then vacant office of publicity manager. "The problem I face," he said, "is whether to employ an advertising man and try to teach him banking, or to employ a bank man and try to teach him advertising."

The writer's answer was this: "Your problem as you phrase it is unanswerable. You haven't the ability to teach advertising to a banker and you haven't the time to teach banking to a publicity man. Your real problem is to find or develop a bank explainer with the aggressive quality that gets new business, plus the conservative quality that gets it for less than it's worth."

His reply was characteristic: "I'm looking for an advertising manager," he said, "not a chairman of the board."

The difficulty he faced is confronting every bank publicity executive and is, or should be, furnishing the test of every individual plan or piece of bank advertising.

The maximum of banking excellence and sales literature excellence can seldom be attained at one and the same time. The bank advertising that reflects bank brains is undoubtedly the best on a mileage cost basis. The only "genius" that banking or any other business can recognize, is a genius for results. And results in bank publicity depend on full, accurate and detailed knowledge of the service which the bank has for sale.

Every year the writer lives he is more forcibly impressed by the success of bank-trained bank advertising men and more sadly certain of the high mor-

talities among "advertising men in banks."

The reader can pick out examples of the latter class for himself without the writer's help, but some examples of the former may be pointed out.

Gaylord Morse, assistant cashier of the State Bank of Chicago, has had every kind of practical bank experience from clerk in a rural institution to Chicago representative for the National City Bank. He is a graduate student of advertising also—but which part of his training is of most value?

Arthur DeBebian of the Equitable Trust Company of New York has made a tenstrike by publication in newspaper space of definite, specific outlines showing what an executor is expected to do, how a trustee is expected to function and what people in various conditions of life should know about the functions of a trust company.

Perhaps the most striking and memorable investment advertisements that were ever inserted in a newspaper were published by a man who had no securities for sale. In them, A. M. Clifford of Los Angeles, offered his services as investment counsellor and financial analyst, but in the writer's opinion, the very copy they contained would have sold bonds in highly satisfactory volume for any bank or investment house with high grade securities to offer.

The success of these men and of others like them, is in the writer's opinion, an index of progress in American bank publicity. Their work proves that banking, trusteeship, investment distribution, safe deposit protection and their allied financial services *are* interesting subjects. The results of their work prove that the much-mothered "man in the street" *does* want factual, specific, usable information about his bank and process exhibits showing how his bank can improve his life by playing a larger part in it.

Nobody can give these things to the man in the street without talent for explanation and professional ability to advertise. But good bank advertising is 90 per cent. in knowing what one is writing about and only 10 per cent. in knowing how to write and publish it.



# A NEW PLAN FOR PRESENTING REPORTS TO A BOARD OF DIRECTORS

BY JOHN T. BARTLETT

**H**OW many bank directors have felt—a report having been debated at length, and then referred back to the maker for further investigation and report—that in the presentation of reports and recommendations to a board of directors, there could be great improvement? How many bank employes—seeing carefully prepared reports and recommendations discarded by the directors, or hours devoted to a subject which, it would seem, should be settled in a few minutes—have felt there was something wrong, too?

A system for making reports and recommendations, introduced by one of the department heads of a Denver, Colorado, bank, is susceptible of wide adoption all over the country. In the special instance, it has been an unqualified success. It has saved a great deal of time of the board of directors, has saved the submitting employe much time, and, moreover, has contributed to greater efficiency in assuring the adoption of the best methods and policy.

Allan Herrick, who originated the plan, has been in bank advertising for a period of years, with large institutions. Repeatedly, he felt that the common methods of presenting reports and recommendations to directors was inefficient. He studied the situation from all sides, talked it over with bank men in various parts of the country. Eventually, he introduced his present plan which has been unqualifiedly effective. Herrick used it to submit advertising reports. It can be used, however, for reports of any kind having to do with examination of future methods and policies.

## BASIS OF THE PLAN

The basis of the plan is a piece of wall board, 4 feet wide and 8 feet long. That

is big enough for presentation of a great deal of matter, and small enough to be carried about. Visiting the United States National Bank, Denver, Col., at one time, the writer found Herrick working before the big board down in the stock room. On another occasion, the writer visited Herrick's office when the board, ready for presentation to the directors, was parked behind a radiator. It has the merit of portability, and that is of decided value.

Using big sheets of paper, proofs of sample ads, clipped ads used by other banks, samples of bank advertising literature picked up in various places, and still other material, Herrick gets up a report which can be seen at a glance. The presentation is not always given in the same manner, but in general the lines followed are as will be briefly described.

Bank directors usually make decisions, when a report has been presented, not on volume of words, but on important points. An employe who presents a written report may or may not get clearly before the directors the points on which they will base a decision. After he has read his report, all they may have in reviewing the situation is what they remember of it. Suppose copies are placed in their hands—there is still the matter of wading through the text to get at the important things.

## IMPORTANT POINTS IN WORKING OUT PLAN

Important points, skeletonized, written in lettering which can be read at a distance—these are the groundwork of the system adopted by the United States National Bank's advertising manager. A certain advertising campaign is proposed, for example, because of the twentieth anniversary of the bank. In this special



instance, Herrick covered one side of his wall board with samples of advertising literature which other banks had issued at the time of anniversaries. As a great many banks have had anniversary advertising literature, it was not difficult to secure a comprehensive exhibit. He presented that side first. "Here," he said in effect, "is what other banks have been doing. I believe we should do something quite different." Then, he turned the wall board over and presented his proposal.

Not one, but a number of proposals are put forward. One of these, usually, Herrick thinks is the best—the thing the bank should decide to do. However, he presents more than one plan of procedure. The nature of each proposed plan is clearly indicated. If a series of advertisements of a certain type is involved, there is quite likely to be a sample advertisement. If a booklet is involved, matters to indicate the nature of the booklet are presented.

#### ASSISTING THE DIRECTORS IN REACHING A DECISION

To assist the directors in making a decision, the advertising manager presents arguments. Here, however, there is radical departure from the common practice. Herrick presents arguments not only for a proposed advertising enterprise, but against it. A large single sheet of paper will have listed at the top the advantages—several of them. Below this will be a listing of the disadvantages. When an employe submits a report, and makes a recommendation, the general custom is to leave it to the directors to find the disadvantages. The employe presents as conveniently as he can the advantages, his definite and clear aim being to "sell" the course which he believes the right one. Herrick does nothing of the sort. He gives the principal arguments on both sides, and leaves it for the directors to indicate their decision. Usually, they decide the thing is best which he thinks best—not always. If they do not, however, there is still a proposed course for them to consider and, perhaps, to adopt. A choice may be

offered, for example, between a newspaper advertising campaign, combined with a booklet for free distribution, and an advertising novelty involving a coin-saving feature.

Some of the advertising of this bank is planned for months ahead, continuing over a long period as initially approved by the directors.

Some of the advertising, however, is subject to modification and change. Herrick may go before the directors, with his big piece of wall board and say in effect, "This is what we have done during the last three months. This is what we have accomplished. If you believe business conditions are going to be good during the months just ahead, this is what I recommend. If you believe they are not, this is the plan I propose." Having decided what business conditions can be expected, the bank directors have before them an advertising plan fitted to the condition, whatever it is.

#### SHOWING RESULTS OF ANALYSIS

Figures and statements based on local research, indicating the advisability of advertising along certain lines, may be the first matter placed on the wall board. A few months ago, for example, the advertising manager of this bank made an analysis of building operations in Denver for 1924 and for 1925. He showed on his board the amount of money involved, how much of it was cash and how much loaned. Other figures gave the number of building craftsmen in the city, the number of contractors, the number of building material firms, the number of real estate offices. Some attention was given to the question of how much of the business the United States National Bank had had in the past, and what it could aim for in the future. Having decided from the data given in skeleton form, whether special advertising work would be a good plan, the directors could then pass on, if their decision was affirmative, to consideration of advertising plans proposed.

The pro and con presentation of arguments was an idea picked up by

[Continued on page 737]



# SHOULD LONG TERM CREDITS BE GRANTED TO FOREIGN BUYERS ?

BY ALLAN B. COOK

IS it wise to grant long term credits to foreign buyers? Should the American manufacturer give his customers in Manila, Manaoa and Madrid from sixty days to four months time after the arrival of the merchandise before requiring payment from them? This problem, which faces us today, will confront us constantly and must, therefore, have immediate attention. The solution of any problem lies largely in that analysis which will reduce it to its fundamentals, which is merely another way of saying that it should be broken down to its separate important phases.

In the case of long term credits, there are three fundamental factors involved which should be considered in the order of their relative importance. The first is the attitude of the American manufacturer with respect to selling in the world markets as opposed to his policy regarding his domestic business. The second, an equally important point to consider, is the effect of long term credits upon the foreign buyer; while the third factor is the matter of the American banker's attitude toward financing export trade.

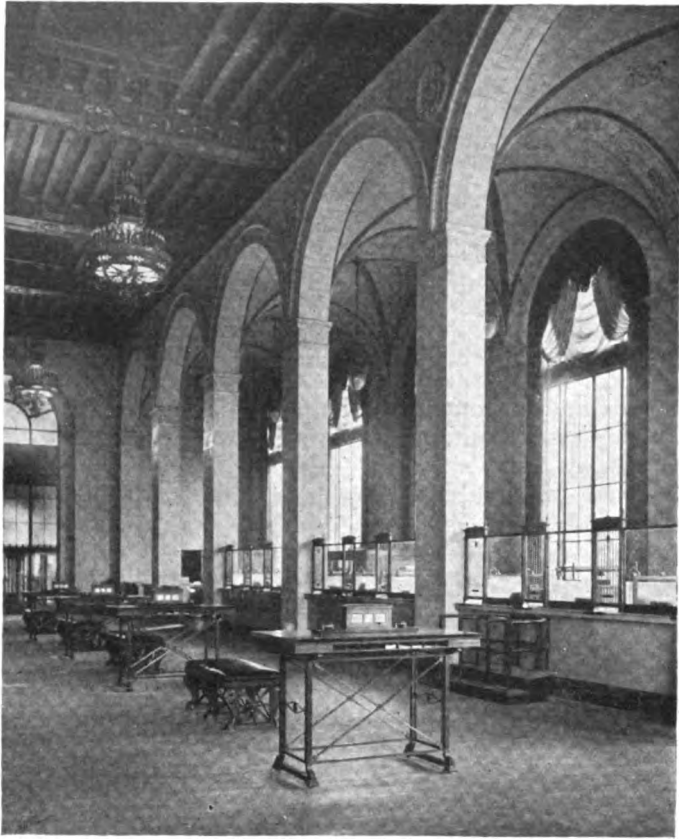
## PRELIMINARY STEPS TO SUCCESS OF CAMPAIGN

Everyone knows that the American manufacturer who is trying to introduce his goods into a portion of our domestic market where they have never been sold before, takes preliminary steps to insure the success of the campaign. His first move is a careful analysis of the territory he plans to cover so that he can secure reliable and reputable representatives for his line or establish his own branch offices at certain strategic points, if that seems the wiser course. The next

step in the program is the adaptation of his sales policy to meet the prevailing custom in the market as regards credit, service and approach to the consumer. In short, the manufacturer when developing a domestic market must meet competition and yet conform to first principles of sound merchandising. If he does not do so, his sales campaign will look like a 1913 Ford trying to get away in heavy traffic.

"I know that," says some manufacturer, "but I cannot see that that has any particular bearing on the matter of granting credits abroad." Regardless of his protests to the contrary, the matter of the application of these methods to the development of the world's markets is of prime importance as shown by an experience a large automobile company had some time ago. This concern reduced the prices of its product to all domestic dealers and rebated the amounts involved on unsold cars which were actually held by these dealers, but the same liberal policy was not followed in the export field. This meant that dealers in Texas along the Mexican border were in a position to undersell similar distributors just over the imaginary line which separates the two countries. Naturally, wails of despair emanated from Tampico and similar places, but unfortunately these protests were not recognized as of any importance and the final outcome of the matter was that the American manufacturer lost to his competitor the best of his Mexican dealers and was forced to replace them with concerns which were decidedly second-rate as regards sales ability and financial standing. His export manager probably

[Continued on page 737]



Main banking room of the First Trust & Savings Bank,  
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**A**N unusually interesting interior  
executed in Italian travertine  
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beamed ceiling in genuine oak richly  
decorated in the Italian style.

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**WEARY AND ALFORD COMPANY**  
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## SECURING ADDITIONAL INDORSER WITHOUT MAKER'S CONSENT NOT A DEFENSE

**I**N the case of *Caudill v. First National Bank of Prestonsburg*, Court of Appeals of Kentucky, 277 S. W. Rep. 310, it appears that the defendant signed a note as maker and delivered it to the payees. Subsequently, the payees secured the indorsement of A. J. May on the note and the plaintiff bank, which had theretofore refused to take the note, discounted it. In an action by the bank against the defendant as maker, it was held that the fact that May's indorsement was secured on the note without the maker's knowledge or consent was no defense and that the defendant was liable.

Action by the First National Bank of Prestonsburg against John Caudill and others. From a judgment for plaintiff, defendant named appeals. Affirmed.

### OPINION

**SANDIDGE, C.**—It appears herein that on December 5, 1922, appellant, John Caudill, executed and delivered his promissory note for \$750 to W. H. Craft and Mary B. May. The note in form was a negotiable instrument, and was payable at the First National Bank of Prestonsburg, Prestonsburg, Ky., four months after date. That bank became its holder in due course by purchase after it had been indorsed by W. H. Craft, Mary B. May, A. J. May, and W. M. Caudill. When due, payment was demanded and refused, and the note thereupon was protested for nonpayment. Thereafter appellee instituted this action to recover from the maker and indorsers the amount of the note with interest and protest fees. Appellant, John Caudill, filed an answer, to which the trial court sustained a general demurrer. He declined to plead

further. Whereupon his answer was dismissed, and judgment was entered against him on the note in question. From that judgment he prosecutes this appeal.

By his answer appellant undertook to avoid liability for having executed and delivered the note in question by pleading that after he had executed and delivered it to W. H. Craft and Mary B. May, they and the defendant W. M. Craft indorsed it, and the payees in the note undertook to discount it to appellee upon that indorsement, but that appellee bank declined to purchase the note with only that indorsement. Appellant pleaded that thereupon he had nothing further to do with the transaction, but that he is informed that thereafter the payees in the note procured A. J. May to indorse it, and appellee bank thereupon purchased the note.

We are unable to understand what principle of law appellant relies upon to absolve him from liability if the truth of the facts pleaded by him be conceded. The note sued on shows for itself that appellant was the maker, and that W. H. Craft and Mary B. May were the payees. Appellant does not deny that he was the maker of the note or that he signed it. He seeks to be relieved of the consequences of having done so solely upon the ground that after he had signed and delivered the note to the payees, and after they had procured one indorser, appellee bank declined to purchase it, and that thereafter, without his knowledge or consent, the payees of the note procured another indorser satisfactory to the bank, and it thereupon purchased the note. Manifestly, that contention cannot be upheld, and the trial court properly sustained a demurrer to the answer plead-

[Continued on page 741]



## SEASONAL VARIATIONS OF BUSINESS IN THE BALANCE SHEET

By M. E. ROBERTSON

**I**N the samples of analysis, such as those given in the article "Statement Analysis" in the last issue of *THE BANKERS MAGAZINE*, examples were given as to the type of memorandum which could be written, which would give a brief synopsis of the balance sheet showing; and the questionnaire of important desirable additional data. Memorandums can be drawn out considerably, both as to comments and questionnaire, but the loaning officers of a bank are only interested in reasonable questions and do not care about detailed comparisons of small changes in the amount of the various items. Such comparisons are eye comparisons for the comparison form to reveal. Many examples could be given of memorandums and still cases would arise which would require a different sort of a memorandum entirely. It is a case of common sense, studying all details, considering every angle but arriving at definite conclusions regarding the showing and writing for the loaning officer the gist of the situation and not a lot of detailed figure comparisons.

In previous articles it has been mentioned that the balance sheet discloses the condition as of one day only. Failure to understand and appreciate this fact, together with the seasonal phase of the business is perhaps cause for more embarrassment to the young and inexperienced credit student than any other reason. A company might show a three for one ratio January 1. The banker might be furnished with a statement of the same company April 1, and it might show one and one-half for one. A student failing to appreciate the foregoing principles feels that the company is bound for the rocks.

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In order to obtain a better view of this situation, take the statements of say a wholesale dry goods jobber, should he make one at the end of each month of the year instead of once a year. The ordinary jobber has two seasons of business. He makes his purchases for the spring season in August, September, October and November. Those from whom he makes the purchases ship him samples in August, September, and October, on the basis of which samples the wholesale dry goods jobber puts men on the road and takes orders. Those from whom he has made purchases make shipment to him heaviest in November, December, and January, usually on terms of 2 per cent., ten days, April 1. The wholesale dry goods jobber will in turn make shipment against the orders which he takes in January, February, and March, on terms of either 70 days or 2/10 April 1. This will make his collections heaviest in April, May and June.

For the fall season, the jobber makes purchases of stock in February, March, April and May. His samples are shipped to him in February, March and April, when he sends salesmen out on the road to take orders. The jobber receives his stock in May, June, and July, making shipments in July, August, and September on 70 days or October 10 dating, which makes his collections heaviest in October, November, and December.

### WHERE THE SEASONS OVERLAP

It is evident, therefore, that in this particular line of business one season overlaps the other and it is this feature that brings about the fact that very frequently a footnote will be shown on the November 30 or December 31 statements

of the wholesale dry goods jobber reading somewhat as follows: "Merchandise purchased for future season in amount of \$467,896 is not included in merchandise inventory above, nor is the liability set up therefor." Such procedure is considered proper, although it is obvious from a common sense standpoint that it is inventory and there exists a liability therefor. From the banker's standpoint, he does not care so much about whether one season is over and the other not yet started, but is primarily interested in what the company has in the form of assets, and what it owes. It is, therefore, customary to figure the current ratio and debt both ways; i. e., with merchandise in inventory and the debt set up, and also as shown by the balance sheet submitted. Of course, an equal amount being added to the assets and liabilities, the net worth and the net working capital of the company are unchanged, but the ratio is considerably lower. Follows a balance sheet at the end of each month for a wholesale dry goods jobber covering one season: These figures are drawn up, assuming that the regular statement has been made December 31, and that the goods which are on hand for the spring season have not been included in the inventory, nor has the liability been established, but it has been considered such merchandise was on hand in the usual way, a foot-note being made on December 31 statement, and that on January 1 or 2, following, the crates have been broken and the merchandise actually taken into stock. The same condition prevails with regard to the June 30 statement as shown by the table on page 694.

Reference to this table will give a good idea of the seasonal phase, the accumulation of merchandise, its sale or transfer to receivables and the realization on receivables or the receipt of cash. Trade indebtedness is incurred for the accumulation of merchandise. Bank borrowings are made to take advantage of trade discounts. When accounts receivable become cash, bank borrowings are liqui-

dated. From the example of monthly balance sheets during one season, it is evident that should the analyst receive a balance sheet of the particular company outlined as of March 1 or April 1 with a ratio of around 1.43 or 1.36, he might get a sudden heart attack should he fail to realize the seasonal nature of the business. The banker gets the statement of such a company as that outlined usually on December 31, or June 30. It is not out of order, therefore, that he should inquire as to the point of maximum debt, as it is at the time of maximum debt or peak of season that the concern usually gets into difficulties.

With regard to monthly statements, of course, it is realized that they are not to be furnished usually because of the inventory feature. If the concern runs a perpetual inventory record, it can supply monthly statements, and of course, most concerns take a trial balance at the end of each month (see Preparation of Statements June 1925 issue) and from this the balance sheet items can be taken and an inventory estimated which would be required to break even on operations. In the example given, it is assumed that inventory was taken at the end of each month. Note the decrease in net worth February 1 of \$25,000 over January 1. This was a month when shipments were moderate, expenses were heavy, and a loss was incurred. In February the shipments of orders taken were made (note increase in receivables) and a substantial profit was made. In the manufacturing line, this would be more prominent than in jobbing and retailing. Profit is made on the books when the goods are shipped and the receivables are entered on the books. During the time when goods are being bought, labor expense is heavy (the manufacturing time) and shipments are light, hence losses are shown. But the merchandise is made in the case of the manufacturer, and bought in the case of the jobber and retailer, in the hope and belief that it will soon be transferred into receivables at a figure to show a profit.

In the example taken a bank debt at

the light season is shown. Many concerns do not entirely clean up with banks nowadays, but always have bank money

have to be taken in and time when manufacturing activity will have to be at its height in order to have merchandise

## (In thousands of dollars)

|                                  | December     | January      | February     | March        | April        | May          | June         |
|----------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|                                  | 31           | 31           | 28           | 31           | 30           | 31           | 30           |
| Cash .....                       | \$ 200       | \$ 175       | \$ 150       | \$ 150       | \$ 225       | \$ 250       | \$ 225       |
| Accounts receivable .....        | 500          | 600          | 1,000        | 1,500        | 1,000        | 900          | 550          |
| Merchandise .....                | 500          | 1,200        | 1,000        | 900          | 800          | 600          | 490          |
| <b>Total current assets...</b>   | <b>1,200</b> | <b>1,975</b> | <b>2,150</b> | <b>2,550</b> | <b>2,025</b> | <b>1,750</b> | <b>1,265</b> |
| Real estate and building         | 200          | 200          | 200          | 200          | 200          | 200          | 200          |
| Miscellaneous .....              | 10           | 10           | 12           | 12           | 10           | 10           | 8            |
|                                  | <b>1,410</b> | <b>2,185</b> | <b>2,362</b> | <b>2,762</b> | <b>2,235</b> | <b>1,960</b> | <b>1,473</b> |
| Bills payable .....              | 500          | 300          | 350          | 450          | 1,000        | 950          | 500          |
| Accounts payable .....           | 50           | 1,045        | 1,125        | 1,385        | 300          | 75           | 50           |
| Miscellaneous .....              | 10           | 15           | 20           | 25           | 25           | 15           | 5            |
| <b>Total current liabilities</b> | <b>560</b>   | <b>1,360</b> | <b>1,495</b> | <b>1,860</b> | <b>1,325</b> | <b>1,040</b> | <b>555</b>   |
| Mortgage .....                   | 50           | 50           | 50           | 50           | 50           | 50           | 50           |
| <b>Total liabilities</b> .....   | <b>610</b>   | <b>1,410</b> | <b>1,545</b> | <b>1,910</b> | <b>1,375</b> | <b>1,090</b> | <b>605</b>   |
| Capital stock .....              | 600          | 600          | 600          | 600          | 600          | 600          | 600          |
| Surplus .....                    | 200          | 175          | 217          | 252          | 260          | 270          | 268          |
|                                  | <b>1,410</b> | <b>2,185</b> | <b>2,362</b> | <b>2,762</b> | <b>2,235</b> | <b>1,960</b> | <b>1,473</b> |
| Current assets .....             | 1200         | 1,975        | 2,150        | 2,550        | 2,025        | 1,750        | 1,265        |
| Current liabilities .....        | 560          | 1,360        | 1,495        | 1,860        | 1,325        | 1,040        | 555          |
| Ratio .....                      | 2.14         | 1.45         | 1.43         | 1.36         | 1.52         | 1.68         | 2.27         |
| Net .....                        | 640          | 615          | 655          | 690          | 700          | 710          | 710          |

in the proposition. They are not steady borrowers with any one bank as they rotate their bank lines. In some lines of business, the seasonal phase does not enter in to any extent. The business runs more or less on an even keel throughout the year. It is, therefore, all important that the analyst in endeavoring to analyze a company's balance sheet know the nature of the company's business, the time of heavy purchases and manufacturing, the time of heavy shipment, and the time of heavy collections, and point of light debt. In the case of the seasonal business, it is obvious that statements at different times of the year are not comparable.

## BUDGETING CREDIT REQUIREMENTS

An understanding of the company's line of business, the volume of contemplated, past experience with regard to collections, time when raw material will

ready for delivery on time, etc., all contribute with many other features to enable the company's treasurer to work out a budget of requirements. Going back over the records for a period, or familiarity with the experience of others, enables him to arrive at a rather accurate approximation of the requirements all during the season. He gets the contemplated sales from the sales department. He can estimate raw material necessary to make the merchandise to fill such sales. Goods are ordered and deliveries arranged according to the time when they can be taken in the works. Maturity of trade debts is known; expenses can be estimated; shipments by periods can be estimated; and from this, estimated collections and an accurate idea can be gained of borrowing requirements, etc. Follows an example of a summary budget which could be worked up to give an es-

[Continued on page 749]

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AND  
INTERNATIONAL BANKING NOTES**

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# THE CANADIAN FEDERAL TARIFF BOARD

By J. W. TYSON

CANADIAN business interests are regarding with passive approval the appointment of a tariff board by the Federal government. The success of this board, it is realized will depend very largely upon its constitution, its powers and whether its functions can be kept clear of political influence. In view of the experiences of the civil service commission in Canada, and in view of the recent testimony in connection with the tariff board in the United States, there would seem to be reason for doubt as to in how far the new body will be successful from an economic and scientific standpoint. However, such has been the experience of business with taxation during and since the war, that any step which promises to permit of study of proposed levies or tariff changes is regarded as an improvement in the situation. This is particularly the case since the Progressive party, made up largely of agricultural representatives from Western Canada, is in a position to dominate the policies of the government, because it holds the balance of power in numbers, and its influences are regarded as inimical to industrial and financial interests. The board will be advisory to the minister of finance, who controls the national budget.

Although taking no active part in the arrangements leading to the appointment of the tariff board, Canada's bankers have a distinct interest in anything which will work for the stabilization of industry. Particularly since the election of the present government, which has the backing of low tariff rather than high tariff sentiment, there have been many changes and interpretations which have had a disturbing effect. In view of the present high costs of production and keen competition, it is of the first importance that the manufacturer who seeks a line of banking credit should be in a position

to present a business budget of a definite character. Such a budget is difficult, if not impossible, of formation when there is uncertainty as to the extent or permanence of the tariff protection under which the industry is operating. For this reason bankers welcome anything which will tend for tariff and taxation stability to enable their customers to more definitely budget their banking requirements.

General conditions throughout the country continue to show improvement. Car loadings are about 5 per cent. higher for the year to date. Grain receipts for the season are more than 50 per cent. higher. Railway earnings are up about 10 per cent. Pig iron output is 3 per cent. greater. Bank clearings are up more than 20 per cent. Savings deposits in the banks are 5 per cent. higher and current loans about the same amount lower; there is plenty of money available. Building permits issued during the first two months of the year showed an increase of about 9 per cent. Exports for the last year show an increase of more than 20 per cent. and the balance of trade in Canada's favor is about 43 per cent.

Not only do these barometers indicate business improvement, but it is felt that, so far as Canada is concerned, there has been little, if any, inflation of credit and that the improvement should continue. At the same time the reaction in Wall Street prices, the decline in commodity prices and certain indications of a decline from the peak of prosperity in the United States, have been influences which have created a spirit of caution, not only in investment circles, but in trade and industry. Business in Canada, it would seem, may be expected to continue along at its present fairly satisfactory level as

[Continued on page 752]



HONORÉ DE BALZAC

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## THE FINANCIAL AND ECONOMIC SITUATION ABROAD

BY WILLIAM HAYES

**U**NCERTAINTY over the settlement of the coal industry dispute overhangs all business in England, and is creating a stagnant condition. During the early part of March many buyers seem to have decided that precautions had better be taken against a coal shortage, and their orders brought some activity to the market. Trade in all lines brisked up, unemployment decreased slightly, and money tightened, though this last was attributed by most to the revenue collections by the Government, rather than to more active trades. But this activity was not maintained. There was a pronounced lull in activity in the latter part of the month, and money eased up, giving some support to the theory that its former firmness was due to more active trade.

The stock market has been showing but little activity for some time. In England as in the United States many small investors entered the market last fall, and are now being gradually eliminated by the steady decline of prices. The London Stock Exchange has regained considerable of its independent standing, for the disastrous slump on the New York Stock Exchange had but little effect on England.

This condition is also reflected in the investment market where new capital issues have been encountering considerable resistance. An issue of £4,750,000 of industrial securities, guaranteed by the Government, and offered on a 5 per cent. basis was almost entirely ignored, only about one-fifth of the issue being sold. Later, an issue of New South Wales, about half the size of the one named above, was also a comparative failure. This was true also of several smaller issues.

Casting about for someone on whom to blame this condition, the correspondents report that "market opinion" is that such a condition is due to American competition forcing the English buying group to bid for the loan at too high a price, therefore making its selling price too high. Anticipating the objection that if they had to bid too high, they should have let the Americans take the loan and float it in New York, it is pointed out that in several instances recently foreign loans bought by New York bankers have been resold largely in London. It is said, for example, that 90 per cent. of the Commonwealth of Australia 5 per cent. loan found its way to Great Britain. A London correspondent of the *New York Times*, commenting on this situation, says:

### AMERICAN COMPETITION BLAMED FOR FAILURE OF LOANS

"The feeling is that New York issuing houses apparently want this business, but do not want to keep the securities, which evidently still fail to find a ready market in the United States. If American bankers are really in earnest about securing a larger share of the best type of any national financing the opportunity now exists, but it will not help either America or England if immediately the business is secured the real burden of financing the borrowers is cast upon us by resale of the securities."

This is singular reasoning. The writer should certainly know that the business of investment houses is the purchase and resale of securities, that they certainly do not want to "keep the securities." If they can be sold more readily in England than America, why not sell them there? With such a demand for these



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The Italian Debt Commission to England, signing the recent funding agreement with that nation. Seated left to right: The Marquis della Torretta (Italian Ambassador to England), Signor Grandi, Count Volpi, Winston Churchill, Sir Otto Niemeyer, and Leith Ross.

securities in England, if English houses do not buy them for resale, or if when they do buy them, they price the issues so high their customers refuse to purchase, why should New York investment bankers be blamed for buying and selling in the regular way? The cost of distribution of securities is greater in the United States than in England, and this fact alone should give the British investment bankers an advantage. Add to this the cost of reshipping the securities to England after they have once been brought here, there should be a considerable margin of profit for enterprising houses. But the cry of "no fair," raised by these correspondents, is childish.

#### THE BUDGET SITUATION

Revenue collections in Great Britain for the year ending March 31, 1926, amounted to £812,061,658, and expenditures totaled £826,099,778, making a deficit of approximately £14,000,000. The deficit is due to the coal subsidy of £19,000,000, which was not provided for

originally in the budget. Five million pounds of the subsidy was paid out of current revenue, and the remaining £14,000,000 was borrowed from the £50,000,000 set aside for the redemption of the national debt.

In the budget for 1926-27, it is reported that the subsidy will be only about \$4,100,000. The total budget for next year, in spite of a reduction of between eight and ten million pounds by the Economy Bill, shows an increase of about £13,000,000 over the 1925-26 budget. Neither the new budget nor the Economy bill are viewed with any satisfaction. The London *Economist* calls the Economy Bill "one of the worst examples of legislation by reference recently presented to the House of Commons." The economies are effected by reducing the grant to national health insurance, increasing the charge for medical benefits, and various other reductions in payments for social services. The new budget balances without any tax increase, but the *Statist* says that "one cannot help



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pointing out that it would have been possible to go beyond this and effect a substantial reduction in taxation." Commenting on Mr. Churchill's address on the budget, it says that it "illustrates in the most striking fashion the stranglehold on industry occasioned by the present huge extent of the public social services, a direct result of the insensate competition in bribes to the electorate that has been a feature of succeeding general elections since the war."

#### REPORT ON THE SUPERPOWER SCHEME

Two months after the Prime Minister made his Birmingham speech outlining the plan for a great superpower system for England, the Weir Report, giving the details of the plan, was published. The idea of the plan is not new, nor does it claim to be. It is the magnitude of the undertaking that compels attention.

The plan contemplates the establishment of a Central Electricity Board by

the Ministry of Transport, under which the existing power stations will be connected within their districts, and the districts will be connected, thus reducing the amount of excess capacity. At the present time it is calculated that 68 per cent. of the total plant is excess capacity, used only to supply electricity during the peak load period. Under the interconnected system, with the peak draft coming at different times, this excess capacity can be reduced to 25 per cent.

When the companies are thus interconnected, their total output will be sold to the Central Electric Board at a cost based on generating costs, repairs and maintenance, wages and salaries, depreciation, etc., and interest on capital expended. Averaging the cost of the electricity from the various stations, a uniform price for consumers will be established. The stations will be allowed to buy back their electricity requirements from the board at the price at which they



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Vice-president Charles G. Dawes and Sir Robert Kindersley senior partner of Lazard Freres and a director of the Bank of England. General Dawes and Sir Robert were World War cronies, and were also associated later in drawing up the Dawes Plan. In an address before the Bond Club of New York, Sir Robert seriously suggested that extravagant spending by the United States, and thrift by Europe would aid in the restoration of normalcy.

sold them, or at the uniform price, whichever is lower.

The money for the interconnecting lines is to be raised by the central board, under a Treasury guarantee, up to a maximum of £33,000,000.

Most of these provisions have been included in the Electricity Bill, with the exception of the Central Electricity Board. Under the bill, the board is subordinate to the Electricity Commissioners, and does not have enough freedom of action.

It seems strange that these proposals should be viewed with comparative satisfaction. To any thoughtful observer it must be evident that such a scheme is

another step of the Government into business, another step toward socialism. Even though the inter-connected companies remain as separate corporations, once so connected and under a government board, it will be a short jump to government operation and ownership. Evidently socialism is advancing steadily in England (witness the compulsory consolidation of their railroads, and the coal subsidy), and it seems quite possible that in time we may witness another "bloodless revolution" in that country, when the principles of the socialistic state will have a real try out. So far the slight application of socialism to British trade does not seem to have benefited it.

#### BRITISH EXPLANATION OF AMERICAN PROSPERITY

Bertram Austin and W. Francis Lloyd, two young Britons, have written a book on "The Secret of High Wages," based on a trip to America and interviews with leading captains of industry, in which they list nine reasons for the prosperous development of the United States:

1. Promotion in America is by merit.
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4. America shows endless keenness in devising time-saving and trouble-saving appliances.
5. The American employer is not hostile to high wages.
6. American manufacturers co-operate by exchanging ideas.
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All this is very complimentary, and no doubt most of the reasons set forth have had a share in American prosperity, but probably the most potent factor in it is the great supply of natural resources with which this country is blest. Goods are the things which every consumer desires, and it must necessarily follow that the country which has the largest amount of materials for creating goods, will be the most prosperous. Goods cannot be created by high wages or efficient methods, any more than a man can lift himself by his own boot straps.

### THE CREDIT INSURANCE REPORT

The committee appointed by Parliament "to examine and report upon the extent to which benefit may be likely to accrue to export trade from insurance

against the risk of bad debts" reports that while there is no demand for insurance against "catastrophic" risks, there does exist a considerable demand for the insurance of exporters against the risk of bad debts, and that no facilities are available adequate to meet this demand.

At the present time the Government will insure export credit risks up to 42½ per cent. The committee says that the method of insurance is very satisfactory, but that the percentage of cover is much too small. Indemnity should be available up to 75 per cent. without recourse against the exporter. There should also be available for the exporter financial accommodation—that is, guarantee by the Government to the banks on the exporters' bills, with recourse against him by the Government. Still another intermediate form of accommodation is suggested, whereby a percentage of the risk would be guaranteed with a proportion



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of recourse against the exporter to be agreed upon.

The report does not suggest that the Government undertake to provide such insurance facilities permanently, but merely until they are supplied by private initiative. Therefore, it is recommended that new business should not be undertaken by the Government after September, 1929, by which time it is hoped that there will be several private companies which have built up sufficient information, on the nature of the risks to be insured, to be able to handle the business. There are already a few companies operating in this field, and as their experience furnishes a basis on which to work, more may be expected to enter it.

#### THE BUSINESS DEPRESSION IN GERMANY

Further evidences are appearing that the worst part of the business depression in Germany has been seen. The number of unemployed shows a slight reduction of less than 1 per cent. in the period from

March 1 to March 15. Bankruptcies in the first three weeks of March were 463, 431 and 411, as against a weekly average of 483 in February. The Reichsbank has again reduced its official discount rate from 8 per cent. to 7 per cent., and has considerably increased its stock of gold. Interest rates on all loans have been reduced, and demand for credit from industries has fallen so low that the Reichsbank no longer is finding it necessary to ration credit. The export balance of trade which appeared first in December 1925 was repeated in January 1926. Thus the stage seems to be set for a business revival. If it were certain that costs have been reduced, and that inventories were fairly low (on which no figures are at present available) one might be certain that business revival is near at hand.

#### BUDGET BILL PASSED

Another element of uncertainty has been removed from the situation by the

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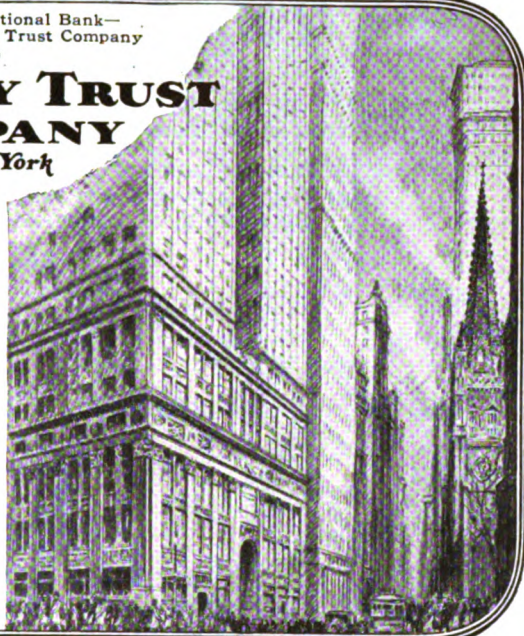
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passage of the budget bill providing for the reduction in taxation. Opposition to the tax on rents for a time threatened to overthrow the Cabinet. A compromise was arranged by the elimination of the wine, salt, and luxury taxes, postponement until 1927 of the increase in the beer tax, and reductions in the property tax, the rents tax, and in the sales tax.

In his original budget proposals, Finance Minister Reinhold planned to reduce the sales tax from 1 per cent. to .6 per cent., but this rate had to be revised to .75 per cent. to effect the compromise detailed above. Thus the reduction in taxation will amount to only about 480,000,000 marks instead of 500,000,000 as planned by Herr Reinhold.

#### UNFAIR TREATMENT OF AMERICANS REPORTED

Newspaper accounts say that Americans and other foreigners who have bought real estate in Germany from 1919

to 1923 are being deprived of their property by a retroactive law, or by fraud. For example, one case is reported in which an American was informed that he had not obtained the necessary municipal consent to the purchase of a house in Berlin, whereas the consent was actually recorded in the German ground book. It is said that in practically every case that has come up, the German courts have ruled against the foreign owner on all sorts of technicalities. The favorite method is to show that the amount named as paid for a piece of property and the amount actually paid differ.

All this is said to be carried on by the Schutzverband (protective association) which calls the attention of German owners to the fact that courts have been ruling for Germans in all such cases, and urges them to get back their property without cost. This association is reported as boasting that it had caused the transfer of a judge who ruled against the

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| Aghios Nicolaos<br>(Crete)                  | Carlovassi   | Florina     | Potamos     | Xirochorion<br>(Istiea) |
| Aghios Nicolaos<br>(Castri, Ky-<br>nourias) | Carpenissi   | Gargaliani  | Preveza     | Zante                   |
| Agrinion                                    | Carystos     | Grevena     | Pyrgos      | <u>EGYPT</u>            |
| Alliverion                                  | Castoria     | Cythion     | Rethymo     | Alexandria              |
| Amallias                                    | Castro       | Lydra       | Salonica    | Cairo                   |
| Amphissa                                    | Cavalla      | Ithaca      | Samos Vathy | Port Said               |
| Argos                                       | Chaleis      | Jannina     | Santa Maura | <u>CYPRUS</u>           |
| Argostoli                                   | Chio         | Kiato       | Sorovitch   | Limassol                |
| Arta  | Comotini     | Kyparissia  | Soufli      | Nicosia                 |
| Astacos                                     | Corfu        | Lamia       | Sparta      | <u>ARMANIA</u>          |
| Calamata                                    | Corinth      | Larissa     | Syra        | Durazzo                 |
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|   | Coumi        | Limni       | Trikkala    |                         |
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|   | Dadi         | Missolonghi | Tsotyllon   |                         |
|   | Dedeagatch   | Mitylene    | Veria       |                         |
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association and a German owner in such a case. The situation has become so serious that a movement is on foot in the United States to organize a protective association of American owners of German property to combat the activities of the Schutzverband.

### FAILURE OF THE LEIPZIG FAIR

The Leipzig Fair, which was held in the early part of March is now conceded to have been a failure, in spite of the large foreign participation. About 16 per cent. of the old exhibitors stayed away, but it was not so much lack of exhibitors as the apathy of buyers which was responsible for the failure of the fair. About 6 per cent. of the exhibitors were foreign concerns, and there were about 20,000 foreign visitors. But business in Germany is still too nearly prostrate to be revived by a single effort.

### "D" BANKS SHY AT RUSSIAN RISKS

Last month the proposal before the Reichstag to have the Government guarantee 60 per cent. of sales to Russia on long terms was described. This proposal is now meeting opposition from the large German banks, who would be expected to finance the German exporters for their 40 per cent. of the risk. The banks feel that if they finance this business they are accepting more than the ordinary type of banking risk, and should be compensated for assuming such a risk. They, therefore, ask for interest at the 7 per cent. Reichsbank rate, plus 2 per cent., plus a special commission of  $1\frac{3}{4}$  per cent., making a total rate of about 11 per cent. The Russian Government and the German exporters both object that a rate of 11 per cent. is exorbitant, and that unless it is reduced to something around 9 per cent. the whole plan may be abandoned.

There has been some talk in the newspapers of having American or English banks finance this business, through a German banking consortium which would endorse the notes given, but this seems unlikely. The German banks do not object that they have not the money. They simply want more pay for more risk, which seems a reasonable request.

#### MORE PESSIMISM ON THE DAWES PLAN

Early in April the United States Chamber of Commerce published a report on Germany's economic position, which took a very pessimistic view. However, when the report is analyzed, the reason for pessimism is found to be in the attempt to prophesy what will happen, rather than in the reporting of the actual situation.

The report finds it a warning signal that all the reparations thus far paid have been paid in kind, and feels very gloomy over the prospect that all pay-

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ments in 1926 will probably have to be in kind. The burden is already heavy, says the report, but "the test year will not come until 1928-29 and there is much authoritative opinion both inside and outside Germany to the effect that the second annuity year represents about the limit of reparation capacity, not only because it marks Germany's maximum export surplus, but likewise because it is the limit of the Allies' willingness to receive payment in goods by way of deliveries in kind."

Now this sort of thing can do much harm. No one can tell as yet how much Germany will be able to pay in 1928-29. The Dawes Plan made an attempt to determine it on as reasonable a basis as possible. So far the Dawes Plan has worked very well, and Germany has fulfilled all her obligations under the plan. She has gone through a severe depression in 1925, but that depression was due to the stabilization of the mark, and the con-

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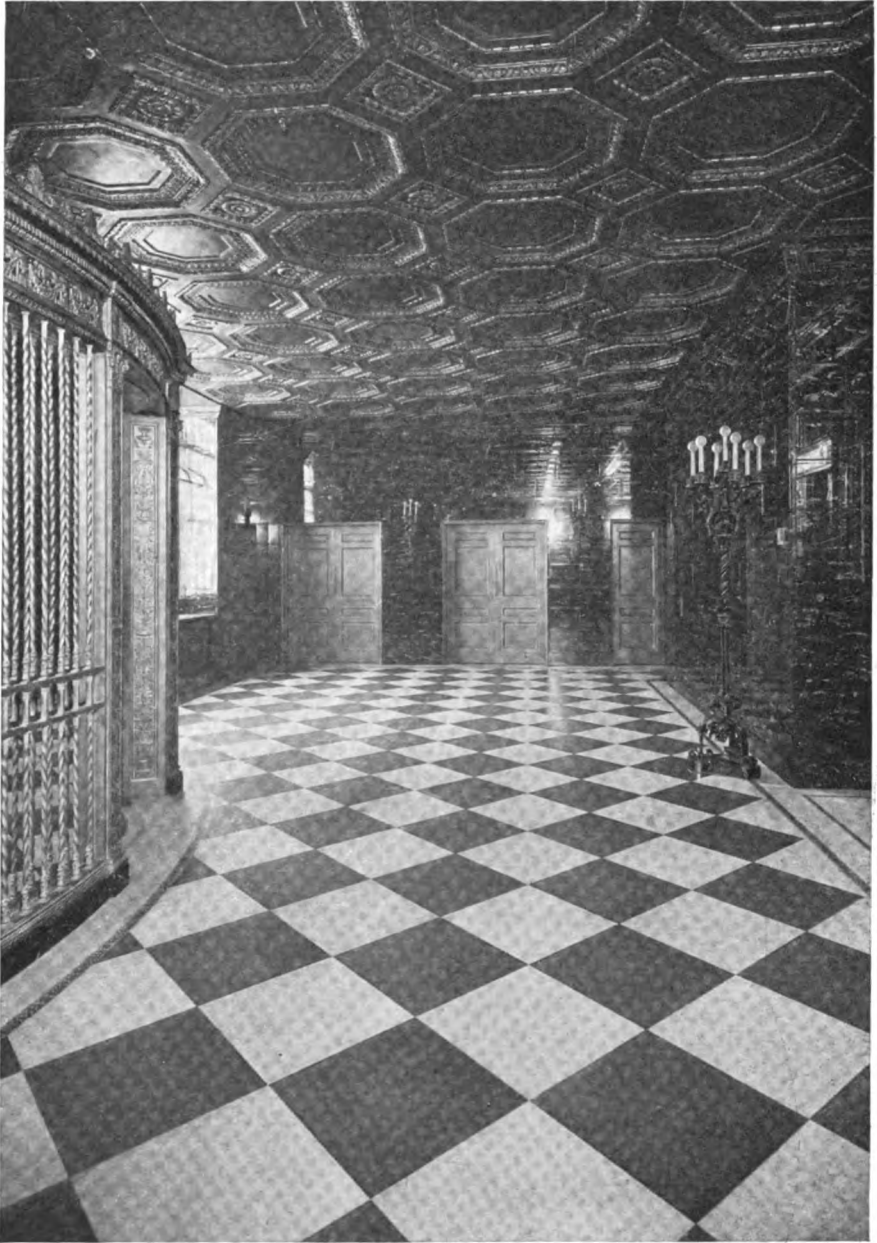
sequent deflation of prices and clearing of the business world of the inefficient firms which had crept in trading on constantly rising prices. These are facts. To say then, that the Dawes Plan will not work in 1928-29, because it is too great a burden, when it has so far been successful in every respect is giving encouragement to that body of opinion in Germany which seizes every opportunity for evading the payment of reparations. It is especially deplorable when it is based on opinion, as is the case above, instead of on facts.

#### THE CHECKING PRINCIPLE IN STOCK TRANSFERS

Deposit banking seems to have been applied to stock transfers in Germany, by means of the "Effekten Giro" or securities transfer which has been adopted in Frankfurt and Berlin. It was made necessary by the immense amount of

work involved in the transfer of securities in the banks since the stabilization of the currency. With that event, and the conversion of the capital of German companies to a gold basis, it was necessary to reduce the par value of the shares from 1000 marks to as low as 20 marks. It is the custom in Germany to buy "1000 marks worth" of a security instead of a certain number of shares; hence this reduction of the par value of the shares, coupled with the increase in the number of securities has greatly increased the number of certificates which must be transferred.

To avoid this, members of the "Effekten Giro" deposit securities admitted to the giro with the Frankfurter Bank, and then draw checks or drafts against them, just as one would do with a checking account, except that the checks are of different colors. A red check is used for the transfer of securities from one ac-

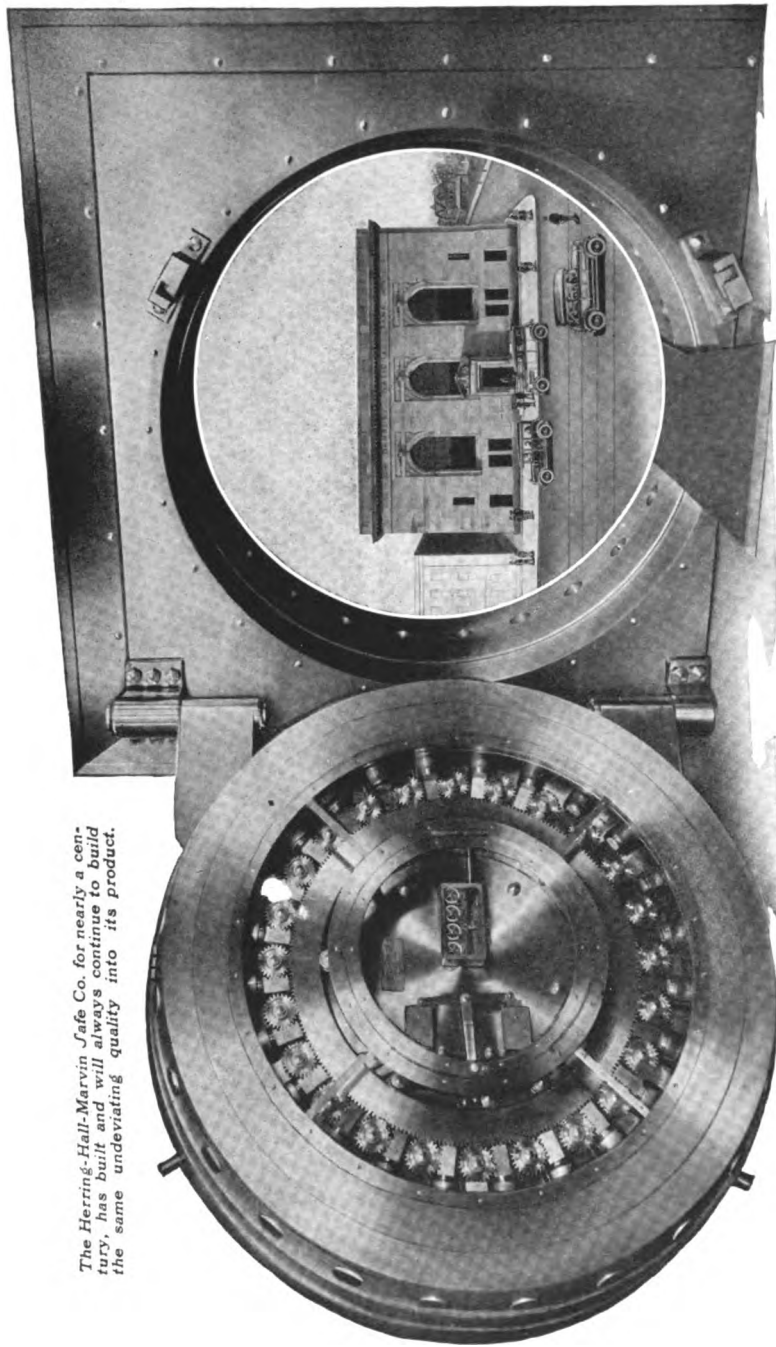


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count to another; a white one is used for withdrawing securities; and a green check is used when securities are to be pledged for a loan.

Thus a number of transfers are eliminated, the securities remaining with the Frankfurter Bank, but their ownership changing as fast as checks are received. It is reported that all the large banks in Germany are members of the "Effekten Giro," and the stocks accepted for transfer include twelve German banks, two Austrian banks, seventeen mining companies, two shipping concerns, and a number of industrials and public utilities. It is expected that the system will be extended through all the large cities in Germany.

#### AUGUST THYSSEN

August Thyssen, a leading figure in the German steel industry, and head of Thyssen & Co., died on April 4, at the age of 84.

He began business in Duisburg in 1860 with a rolling mill and eleven years later moved it to Mulheim, establishing the firm of Thyssen & Co. This was at the beginning of Germany's industrial era, and the Thyssen concern expanded steadily with the Krupp and Stinnes companies, until at the beginning of the war it employed 50,000 workers and produced 1,000,000 tons of steel a year. Thyssen is said to have been the father of the "vertical trust" idea, and this is confirmed in the wide range of his holdings which included iron mines, rolling mills, steamship lines, docks, cement factories, coal mines, etc.

After the war, he transferred his plants, which had been manufacturing munitions, into plants for electrical machinery, and thus succeeded in maintaining practically intact his fortune, which is said to amount to over \$100,000,000. Last year his company floated an issue





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Aristide Briand's ninth Cabinet. Front line: Levasseur, chairman of the board of housing; Danielou, assistant to the Prime Minister; Painleve, Minister of War; Briand, Prime Minister and Minister of Foreign Affairs; Raoul Peret, Finance Minister; Pierre Laval, Minister of Justice; Jean Durand, Minister of Agriculture; Georges Leygues, Secretary of the Navy. In the second line: Jourdain, Minister of Pensions; Ossola, Under-secretary of War; Leon Perrier, Colonial Minister; Daniel Vincent, Minister of Commerce; Lamoureux, Minister of Public Instruction; Leurent Eynac, Minister of Aviation; Durafour, Minister of Labor. Above: De Monzie, Minister of Public Works; Malvy, Secretary of the Interior (since resigned); Roustan, Secretary of the Merchant Marine; and Paul Morel, Minister of the Liberated Regions.

of bonds in this country. The strength of Thyssen & Co., is demonstrated by the fact that his death had practically no effect on the prices of the bonds.

#### PROSPERITY IN FRANCE CONTINUES

Business continues good in France, with a high level of activity in the iron and steel industries, due partly to a strong export demand for steel products. The textile trade is also showing the effect of the general prosperity. If car loadings are as significant in France as they are in the United States (and no reason exists for supposing they are not) the increase in the average daily loadings from 59,494 in January to 65,609 in February indicates a steady increase in business. There is practically no unemployment, and no prospect of any. Thus far the road of inflation has been a very pleasant and profitable one for French business (if we leave out of consideration the decline of the franc), but the reck-

oning will come, and the longer it is delayed, the more severe it will be.

#### MONOTONY OF THE TAX DEBATE

Month after month it is necessary to report practically the same antics on the part of the French legislators in their attempts to avoid passing a tax bill. A measure acceptable to the Conservatives will be proposed, and will be defeated by the Radicals. Then the Conservatives, in revenge, will strain every nerve to defeat the next Radical proposal. Every expedient of politics has thus been used again and again, until the repetition has become monotonous. There is something new to report this month. The Chamber of Deputies has at last passed a tax bill that comes somewhere near balancing the budget.

In exchange for the inclusion of a government monopoly of oil and sugar, to begin January 1, 1927, the Radicals agreed to vote for an increase in the turn-

over tax. This, with the abstention of most of the Socialists from voting, allowed the passage of the bill, which also made small increases in the taxes on wine, beer, tea, coffee, coal, and the sale of real estate and commercial property. M. Peret's poll tax or "tax civique" was amended to resemble even more closely an increase of about 10 per cent. in the income tax, and was included in the bill. The duty on imports was increased about 30 per cent., and the price of tobacco was increased. All told the measures voted are calculated to bring in about 4,000,000,000 francs additional revenue.

The monopoly provision is of course very questionable. It was coldly received by the Senate, which immediately took the provision out of the bill, and decided to set up a special commission to study the proposal. This is not strange, for the revenue producing power of the monopolies is doubtful. The setting up of such monopolies would cause considerable expense to the Treasury in taking over the present distributing organization, or in setting up its own distributing organization. But France's chief need now is for additional revenues, not additional expenditures. Even when the monopolies are established, since they have no control whatever over the sources of supply for either oil or sugar, it is by no means certain that they will produce enough revenue to justify themselves. For this reason the inquiry of the Senate is the course of wisdom.

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The passage of the bill balancing the budget is to be commended, but it by no means ends France's task of financial reconstruction. For one thing, the budget was balanced by totally disregarding the repayment of either the external or the internal debt. Perhaps this was a necessary omission. Certainly the Finance Minister had a difficult enough

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time getting the bill passed as it is. But some provision must soon be made for the retirement of the French debt, which already absorbs nearly 60 per cent. of the revenue. The reparations payments may take care of a part of it, but it would be the part of financial wisdom to make some plan for debt redemption, even outside of reparations. This is probably the next thing the Finance Minister will take up.

#### PROBLEMS STILL TO BE FACED

Then there is the problem of stabilizing the franc. A balanced budget is a necessary prerequisite to any stabilization plan, hence it may be said that some progress has been made in this direction. But the most of the work remains to be done. A value must be decided upon, inflation must be stopped, adequate gold reserves must be secured. Each of these is a job in itself.

Perhaps before the franc can be established, France's foreign debt must be funded. That would help a great deal, for it would lay the basis for confidence in French finance, and might permit of further loans in aid of stabilization. This seems to be the view of the Finance Minister, for he has already instructed Ambassador Berenger to reopen the matter of funding with Secretary Mellon. However, this announcement was accompanied by the confident prediction (reminiscent of Caillaux) that the whole matter would be concluded in eight days.

The inference seems to be that France is giving the United States eight days to accept or reject her proposition. This is hardly the spirit in which the negotiations should be approached.

Finally, the constantly rising prices make it uncertain that the French budget, though it balances on paper, will actually balance. That remains to be seen. So far increasing prices have been met with increased receipts, due to the prevailing prosperity. This will probably continue as long as the prosperity in France continues, and how long that will be no one can say.

#### BANKING RESULTS ONLY FAIR

The dividends of the main banks of France show slight increases over the dividends paid in 1924, but the increases are hardly large enough to compensate for the decline in the purchasing power of the franc. The following table is indicative:

| DIVIDENDS OF FRENCH BANKS (IN FRANCS) |      |      |
|---------------------------------------|------|------|
|                                       | 1924 | 1925 |
| Banque de France . . . . .            | 290  | 300  |
| Credit Foncier . . . . .              | 70   | 80   |
| Banque de Paris . . . . .             | 75   | 80   |
| Credit Lyonnais . . . . .             | 80   | 80   |
| Comptoir d'Escompte . . . . .         | 60   | 60   |

A large part of the earnings of the French banks come from underwriting security issues, particularly government issues. During 1925 there was a noticeable decrease in security issues of both kinds, hence a good part of their revenue

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Head Office: 15 GRACECHURCH STREET, LONDON, E. C. 3.

|  |              |              |
|--|--------------|--------------|
| Capital Authorized . . . . .                 | \$15,000,000 | (£3,000,000) |
| Capital Subscribed . . . . .                 | 9,000,000    | (£1,800,000) |
| Capital Paid-up . . . . .                    | 5,250,000    | (£1,050,000) |
| Reserve Fund and Undivided Profits . . . . . | 7,291,105    | (£1,458,221) |

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was reduced. This was somewhat compensated for by the larger volume of funds to loan, and the larger volume of loans made possible by the active business. But here again the rising prices increased the costs of doing business considerably. The banks have not gone backward, but neither have they gone forward as rapidly as other businesses in France.

### BELGIAN STABILIZATION DIFFICULTIES

More light can now be thrown on the sudden decline in the Belgian franc which was so briefly reported last month. The stabilization program which suddenly came to grief had been passed into law, and the only thing remaining to be decided on was the date at which specie payments would be resumed. The biggest problem of the stabilization was the repayment to the National Bank of Belgium of the 5,680,000,000 francs owed by the Government. This was to be accomplished by two measures: (1) By the revaluation of the metallic reserves of the bank in terms of the stabilized (or depreciated) franc. That is, one gold franc held by the bank, which had heretofore been considered as "one franc," the value of the franc still being (legally) 19.3 cents, would become under the new law, about four francs, the value of each being 4.5 cents. The increase in value (three francs) was to be credited to the Government, in reduction of the debt. (2) By a foreign loan to be floated by the Government, the proceeds of which were to be

considered as an addition to the bank's gold reserve.

The bank was to keep a reserve of gold or gold exchange equal to not less than 33-1/3 per cent. of its total combined note and deposit liabilities. The maximum note issue of the bank was fixed at 8,500,000,000 francs, which may be exceeded by 500,000,000 for not more than

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three months. When the reserve falls below the 33-1/3 per cent. limit, a tax of not over 3 1/2 per cent. is to be paid on the deficiency.

It was the failure of the foreign loan which prevented the plan from going into effect. The bankers insisted that the budget must be balanced which was accomplished without much opposition, and that the Belgian state railways must be divorced from the government and put under private management. This last was resented in Belgium as "foreign dictation."

Of course, the opposition had other grounds. The increased taxation necessary to balance the budget was responsible for some; the increase in the bank rate (a part of the stabilization program) which resulted in higher money rates in general, was responsible for more; and

the slump in business which came with the end of inflation and the check to continually rising prices was responsible for most. It is suspected that this opposition, as well as the failure of the loan, had a considerable share in causing the decline in the franc reported last month.

Since that time, the franc recovered from its low of about 3.50 to about 3.90 on reports that the loan was to go through. When no confirmation of this was received, the franc declined again to about 3.70.

The business difficulties, which began with the higher money rates, first depressed business on the stock exchange, and depression speedily spread throughout the metallurgical and coal industries, and finally penetrated to retail markets, the index of retail prices declining from 528 on February 15 to 521 on March

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|                         |   |        |             |
|-------------------------|---|--------|-------------|
| Capital Subscribed .    |  | .. Yen | 100,000,000 |
| Capital paid up . . . . |  | .. Yen | 100,000,000 |
| Reserve Fund . . . .    |  | .. Yen | 83,500,000  |

(\$0.50=1 Yen)

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|              |          |          |           |                |             |          |
|--------------|----------|----------|-----------|----------------|-------------|----------|
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| Calcutta     | Hankow   | Karachi  | Nagoya    | Rio de Janeiro | Sourabaya   | Tsingtau |
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15. The fact that stabilization has been decided on, but not put into effect burdens the country with all the disadvantages of stabilization (declining prices, tight money, etc.) without its advantage of stability. At present there is no indication whether the stabilization plan will be abandoned or carried out. Finance Minister Janssen insists that it will be carried out, but his position is none too secure. He may intend to carry it out, but find himself unable to. One can only hope that he will be successful in adding Belgium to the list of countries who have stabilized their finances.

HOLLAND PARALLELS UNITED STATES

Financial and business conditions in Holland are curiously similar to those in the United States. In spite of a ministerial crisis, which left the country without a government for over four months, business conditions are good and have

been slowly but steadily improving. A new government has now been formed, and it may be expected that the improvement will continue.

It seems to be characteristic of countries with stable monetary conditions and sound business conditions that gold flows to them. It is probably the working out of Gresham's law that "bad money drives out good," that gold being thus driven out of countries with depreciated currencies finds its way naturally to countries on a gold basis. So it is that Holland has been embarrassed by an excess of gold, as has been the case in the United States. The same method of alleviating the trouble has been tried (putting the gold into actual circulation) with fair success.

However, the chief result of the excess of gold is to create a basis for an amount of credit larger even than prosperous business is able to use, resulting in very

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|-------------------------------|---|---|---|---------------|
| Capital Fmk.                  | - | - | - | 150,000,000   |
| Reserve Fund and Profits Fmk. |   |   |   | 123,000,000   |
| Total Assets (31/12 '25) Fmk. | - |   |   | 2,101,000,000 |

***All descriptions of banking business transacted***

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easy money. In spite of active business in Holland, the official rediscount rate is  $3\frac{1}{2}$  per cent. and the private discount rate has not exceeded 3 per cent. for some weeks. This has offered an opportunity for arbitraging between interest rates in Holland and London, and large amounts are reported to have been invested temporarily in sterling bills.

German business men have looked with envious eyes on these low money rates so close at hand, and a movement has been set on foot by the German banks in Amsterdam to have their acceptances declared discountable by the Netherlands Bank. The bank has taken the matter under consideration, and has asked business men for their views, but nothing so far has been done, chiefly because of the opposition from the Dutch banks. Their contention is that they have ample funds available for the business of the Germans, and, therefore,

credit demands should come to them instead of direct to the central bank of Holland. The easy money is viewed as a temporary condition, only, which is already being corrected by the Netherlands Bank selling its holdings of foreign bills, and the contraction of the volume of currency. This is the action which the Federal Reserve Banks in the United States have refused to take—reducing investments and earning assets in order to stiffen the money market.

#### ITALIAN BUSINESS GOOD

The Department of Commerce reports that general industrial activity in Italy continues, with minor exceptions. The improvement in the financial situation following the funding of the Italian debt is reflected in easier money rates and larger amounts of money available. A budget surplus continues to be reported every month.

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#### THE KRONE PUZZLE

The Norwegian Exchange Commission in its report presented in January pointed out that the return to parity of the krone was proving disastrous to business. The steady decline in prices had caused a very severe business depression. The commission, therefore, recommended that further efforts at raising the krone to its parity of about 26 cents be abandoned for the present, and that stabilization be attempted at around 20 cents (the exchange value at that time). It was naturally assumed that though there was no notice of the government adopting this report, there would be no difficulty in stopping the rise of the krone. All that was necessary, apparently, was that the deflation program should be abandoned. Natural forces will do the rest.

But in this case they did not. The

krone kept right on advancing, slowly but steadily up to .2177, when the defeat of the government early in March caused a reaction back to about 21 cents. Then it began to climb again and passed 21½ cents. The question is, what is backing this advance of the krone, if the government support has been withdrawn?

#### BUSINESS STILL PROSTRATE

There are no signs as yet of the end of the business depression that has been prevailing in Norway since the beginning of the deflation program. The wholesale price index of the Central Bureau of Statistics shows that prices are still falling, the index number declining from 214 in January to 211 in February. Note circulation declined from 334,800,000 kroner at the end of January to 330,000,000, at the end of February. Foreign trade is showing some increase, mostly on the import side, which is another reason for wondering at the advance of the krone in the face of an increasing import balance of trade. Unemployment increased slightly in February. Until the fall of prices is checked there seems little prospect for improvement.

Perhaps the new government will be able to do something, by a reduction of taxes which the former government was unable to effect. The budget which was originally proposed balanced at 417,500,000 kroner, which was a reduction of about 21,000,000 kroner, attained chiefly



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by writing off loans. Practically no savings in government expenses were made. The new government which has until July 1 to submit and pass a revised budget (if it decided to do so) is composed of Ivar Lykke, Premier and Foreign Secretary; Karl Weffring, Minister of Defense; I. E. Christensen, Minister of Justice; F. L. Konow, Minister of Finance; Peter Morell, Minister for Social Affairs; A. Venger, Minister for Public Works; C. Baere, Minister of Agriculture; Rev. Magelssen, Minister of Education and Ecclesiastical Affairs; and C. Robertson, Minister of Commerce.

**BANK EARNINGS IN SWEDEN**

Sweden, which has been enjoying fair business in contrast to the depression prevailing in Norway, reports no significant change in the business situation. Average dividends for the five leading banks in 1925 were 11.5 per cent. The

Skaraborg Bank increased its dividend rate from 11 to 12 per cent. The Skandinaviska Kreditaktiebolaget, Scandinavia's largest banking institution will pay 10.5 per cent. this year as last; the Svenska Handelsbanken will maintain its former dividend rate of 10 per cent.; the Stockholms Enskilda Bank will pay its usual 15 per cent.; and the Gothenburg Bank will continue its rate unchanged at 10 per cent. The net earnings of the banks, compared with 1924 were as follows:

**NET EARNINGS OF SWEDISH BANKS**  
 (in thousands of kronor)

|  | 1925   | 1924  |
|--|--------|-------|
| Skandinaviska Kreditaktiebolaget . . . . . | 10,026 | 7,470 |
| Stockholms Enskilda Bank . . . . .         | 9,275  | 9,660 |
| Gothenburg Bank . . . . .                  | 4,432  | 4,408 |

Though the stock exchange is steady and the money market is easy in Sweden, business failures are increasing—from

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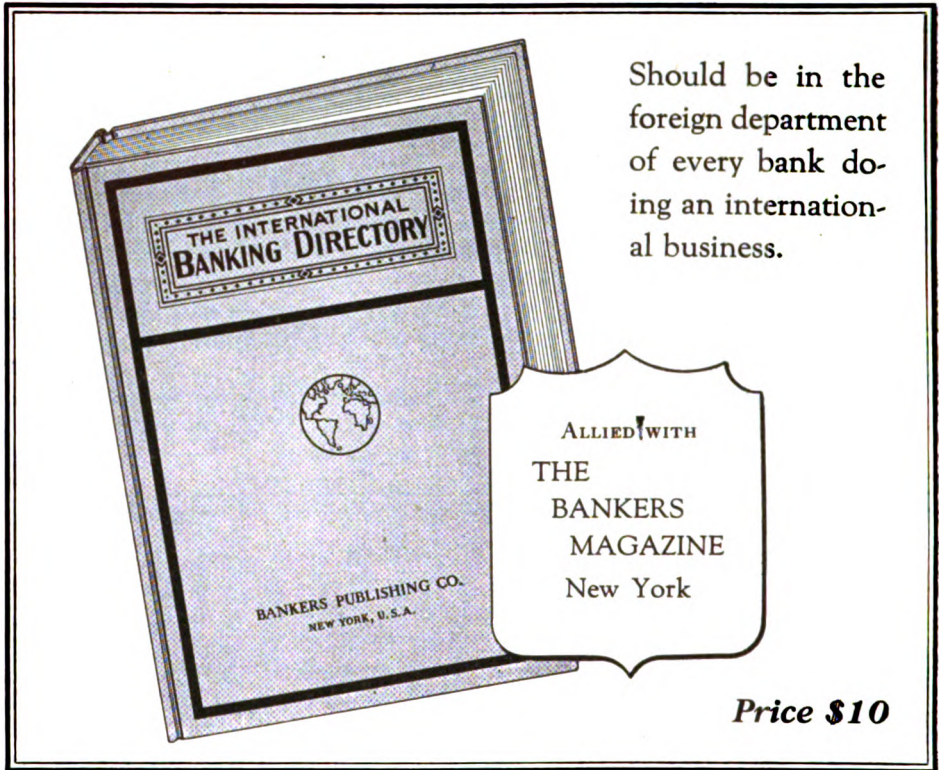
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276 for January to 318 in February, and capital issues are falling. Thus the business barometers are mixed in their indication. The majority of them, however, seem to indicate the passing from a period of prosperity into the depression period of the business cycle. The price indices for both producers and consumers goods show a marked trend downward for several months. Foreign shipping has also been declining steadily, and unemployment is growing. Inasmuch as tight money and credit are the things which usually precipitate business depression, and since these are conspicuously absent, it may be that a temporary readjustment is all that is presaged.

#### FUTURE TRENDS IN INTEREST RATES

Professor Gustav Cassel, the Swedish economist, contributes an article in the current quarterly publication of the Skandinaviska Kreditaktiebolaget on "The Future of the Rate of Interest," in which he says that the present stream of loans from the United States to Europe cannot be expected to continue: "During the last few years," he says, "we have accustomed ourselves to finding the United States in a position to advance apparently ad libitum amounts of capital to Europe. This movement of capital, however, however, can continue only so long

as the rate of interest in Europe appreciably exceeds what was regarded in this part of the world as normal before the war. The United States has incomparably greater undeveloped natural resources than Europe and consequently a high speed of economic development, normally entailing a higher rate of interest. Five per cent. interest is not particularly enticing to the American capitalist, and Europe has had to offer half as much again before she has been able to attract much American capital. These circumstances moreover betoken that the rate of interest in Europe will be comparatively high for a considerable length of time. In Europe we cannot get back to what we call normal rates of interest until we render ourselves independent of the supply of capital that comes from America, and it will doubtless be long before that day comes. The prevalent view that the United States is obliged to invest capital in Europe in order to compensate for its excess of exports is scarcely tenable. In this movement it is rather the investment of capital that is the primary factor, and as soon as the United States finds use for its entire accumulation of capital within the country itself, it will require its productive forces for its own account to such an extent that no excess of exports will arise. . . .



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EFFECT OF THE GOLD STANDARD  
IN FINLAND

The resumption of the gold standard in Finland, which was effected by the law of December 10, 1925, has had but slight effect on the banking and currency situation in that country. However, the easier money and the stabiliza-

tion of government finances had a stimulating effect on trade, and fairly good business was reported in January, followed by seasonal dullness in February, and active business again in the early part of March. This increased business activity, combined with a steady decrease in the note circulation of the country and the exchange holdings of the Bank of Finland, have created a large demand for credit, money stringency, and declining deposits. It is surprising that the industrial activity has been maintained so long in the face of rapidly declining prices, the fall in the wholesale price index in January amounting to 26 points. Employment has held up well.

END OF DANISH DEPRESSION NOT YET  
IN SIGHT

The depression in business in Denmark which was reported in the March issue continues practically unabated, ex-

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cept for a slight revival of agricultural activity with the approach of spring, and some decrease in the unemployment. For the most part, revival is still prevented by the steady decline of prices which has been in process for almost nine months. Money is very tight, and the National Bank is buying foreign exchange in order to check the rise of the krone toward par. The rising krone is blamed (and probably rightly so) for the declining prices and the bad business. Nevertheless it seems strange to see most of the Scandinavian countries making strenuous efforts to keep their exchange from rising, while France and Belgium enact laws against speculators in the effort to keep their exchange from declining. It proves the economists' contention that what is desired is not particularly a rising exchange, nor exchange at a high level, but primarily a stable monetary unit, and stable exchange.

## JAPAN BEGINS GOLD SHIPMENTS

With the yen holding fairly stable at about 45 cents, business continues to be very good in Japan. The foreign trade figures for 1925, recently published, showed that unprecedented heights for exports and imports were reached in 1925. This business continues at approximately the same level, with active trade in steel specialties, and in the textile industries in Japan. The budget bill, the tariff legislation, and other financial legislation has been passed, and the Japanese Parliament has adjourned until December. It will, therefore, be practically impossible for Japan to return to the gold standard, officially, until 1927, and foreign trade can go forward without the fear of a constantly appreciating yen or political interference of any kind. The first gold shipment from Japan of a total of \$36,000,000 to be shipped to the

[Continued on page 753]

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**INTERNATIONAL BANKING NOTES**

**T**HE one hundred and twelfth report of the National Bank of India, Limited, London, shows net profits for the year ending December 31, 1925, after providing for all bad and doubtful debts, of £536,104, and adding £224,980 brought forward, the available total is £761,084. This amount has been disposed of as follows:

|  |         |
|--|---------|
|  | £       |
| To dividends at the rate of 10 per cent. per annum, free of income tax | 400,000 |
| To reserve fund  | 50,000  |
| To writing off house property account                                  | 30,000  |
| To officers' pension fund  | 40,000  |
| Balance carried forward to next account                                | 241,084 |

THE annual report of the Bank of Scotland, Edinburgh, for the year ending February 27, 1926, shows net profits, after providing for all bad and doubtful debts, allowing for rebate, interest, and all expenses, amounting to £368,164, to which has been added the balance from last year £128,824, making the total amount available £496,988. This amount has been disposed of as follows:

|  |         |
|--|---------|
|  | £       |
| To credit of the reserve fund                | 125,000 |
| To reduction of bank premises account        | 25,000  |
| To reduction of heritable properties account | 25,000  |

|   |         |
|---|---------|
| To dividend at the rate of 16 per cent. per annum on £1,325,000 paid-up capital, less income tax  | 169,078 |
| To a dividend on the new issue of £175,000 paid-up capital at the rate of 16 per cent. per annum, from the date of payment for the stock to April 15, less income tax | 2,562   |
| Balance carried forward to next account   | 150,347 |

The new issue of £175,000 paid-up capital is a part of an additional issue of £262,500 authorized by the directors on December 22, 1925, of which only £175,000 was required to be paid up. The paid-up capital after this issue totaled £1,500,000. There was a premium of £332,500 realized on the sale of this stock, which premium was added to the reserve fund, which now stands at £1,507,500.

NET profits of the Banque Nationale de Credit, Paris, France, for the year ending December 31, 1925, were 32,092,927 francs as against 31,444,680 francs for the year 1924. A dividend of 9 per cent. was declared, which was the same rate as paid in 1924.

THE report of the Hollandsche Bank voor Zuid-Amerika, Amsterdam, for the

eleventh financial year ending October 20, 1925, shows gross profits of 3,055,138 florins, of which 1,776,060 florins were derived from interest, and 1,279,077 florins were derived from exchange and commission. Net profits were 1,172,629 florins, to which was added the balance brought forward from 1923-24 of 449,769 florins, making a total of 1,622,398 florins available. This amount has been disposed of as follows:

|                                      | Florins |
|--------------------------------------|---------|
| To statutory reserve .....           | 850,000 |
| To bank premises account .....       | 100,000 |
| To dividend on preference shares.... | 4,000   |
| To dividend on ordinary shares....   | 525,000 |
| To dividend tax .....                | 47,610  |
| Balance carried forward .....        | 95,788  |

THE report of the Aktiebolaget Göteborgs Bank, Gothenburg, Sweden, shows net profits for the year ending December 31, 1925, of 4,432,385 kronor. Adding the balance brought forward from previous account of 2,429,305 kronor makes a total of 6,861,691 kronor available. A dividend of 10 per cent. per annum has absorbed 4,375,000 kronor of this amount, and the balance, 2,486,691 kronor, has been carried forward to next account.

THE report of the Bergens Privatbank, Bergen, Norway, for the year ending December 31, 1925, shows net profits, after provision for bad and doubtful debts, of 3,762,509 kronor. The balance of 369,156 kronor brought forward from last account, was added to this amount, as was also an amount of 2,400,000 kronor transferred from special reserve, making a total available for distribution of 6,531,665 kronor. This amount has been disposed of as follows:

|   | Kroner    |
|---|-----------|
| To general expenses .....                   | 2,945,847 |
| To taxes .....                              | 733,254   |
| To dividend at the rate of 8 per cent. .... | 2,400,000 |
| To staff bonus .....                        | 85,000    |
| Carried forward to next account ....        | 367,564   |

THE condensed statement of the Union Bank of Switzerland, Zurich, as of December 31, 1925, shows time deposits and current accounts of 373,561,973 francs,

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The London "Times" calls this edition the most "important reference book on monetary questions issued since the War," and says that it "should prove indispensable to every banker, foreign exchange dealer, financial house and to all those requiring an authoritative record of the world's present monetary systems and foreign exchanges."

### *Some Press Opinions*

"In the hands of Mr. W. F. Spalding the preparation of this standard work, with the thoroughness to be expected from this author, has naturally necessitated the re-writing of much of the book, which is now up to date in every respect."—"Morning Post," December 28, 1925.

"Will be welcomed by all those whose business requires exact information regarding the money units of civilized countries. In the new edition Mr. Spalding has had to include countries never dreamt of before the War."—"Daily Telegraph," December 19, 1925.

*For sale by*

**The Bankers Magazine**

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cash on hand of 19,896,691 francs, bills of exchange on hand of 106,210,359 francs and capital and reserves totalling 87,000,000 francs. Total resources of the bank total 621,700,717 francs.

THE report of the Bank of Japan reviews financial conditions in Japan during 1925 as follows: "The index number of wholesale prices in Tokyo fell from 282 for December 1924, to 256 for the corresponding period in 1925. The future markets were, in the main, in a quiet condition indicating a general decline in speculation. The bank's advances, while fluctuating from time to time, showed a decline with the advance of the year and reached in May the minimum for the period at 169,000,000 yen, 259,000,000 yen less than the corresponding amount in 1924. Subsequent increases brought the total to 697,000,000 yen at the end of the year, which shows, however, a decrease of 26,000,000 yen from the figures for the same time in the preceding year. Similarly the note circulation reached the minimum for the year in May at 1,070,000,000 yen, which shows a decrease of 73,000,000 yen from the figures for the corresponding period of the preceding year; while at the end of the year the volume increased to 1,631,000,000 yen, being 30,000,000 yen less than it was on the last day of the preceding year."

SVENSKA Handelsbanken, Stockholm, Sweden, in January 1926 began the publication of a monthly *Index* "prompted by a desire to contribute in throwing some light upon Swedish commercial conditions and their variation from month to month." The bank states that this is to be supplementary to the statistical and other data already being published. Hence all the statistics are given in the form of index numbers, with 1913 as the base. The compilation includes wholesale prices in Sweden and abroad, volume of Swedish foreign trade, Sweden's foreign shipping, Swedish freight index, and industrial unemployment in Sweden.

THE profit and loss statement of the Bank of the Philippine Islands, Manila,

P. I., for the seventy-third year ending December 31, 1925, shows gross profit for the year of 1,496,836 pesos. Adding the profit on sale of real estate properties and railway bonds, 42,135 pesos, and bad debts recovered of 16,907 pesos, makes a total available of 1,555,879 pesos for distribution. This has been disposed of as follows:

|  | Pesos   |
|--|---------|
| To general expenses .....                                | 472,289 |
| To taxes .....   | 252,129 |
| To directors' fees .....                                 | 9,725   |
| To depreciation .....                                    | 17,262  |
| To repairs to bank buildings .....                       | 5,602   |
| To printing of bank notes .....                          | 4,690   |
| To partial cost of plans of proposed bank building ..... | 13,766  |
| To loss on sale of real estate .....                     | 30,000  |
| To bad and doubtful debts written off .....              | 737,284 |
| Balance carried forward to next account .....            | 13,129  |

THE eighteenth annual report of the Chekiang Industrial Bank, Limited, Shanghai, China, for the year ending December 31, 1925, shows net profits of \$396,898, which added to the balance of \$18,725 brought forward from 1924, makes a total of \$415,623 for distribution. This amount has been disposed of as follows:

|  |          |
|--|----------|
| To reserve fund .....  | \$80,000 |
| To dividend at the rate of 12 per cent. per annum .....      | 216,000  |
| To bonus for directors, auditors, officers, and staffs ..... | 83,559   |
| Carried forward to 1926 .....                                | 36,064   |

THE profit and loss account of the Agricultural Bank of Egypt, Cairo, for the period from February 1, 1925, to January 31, 1926, shows gross profits of £677,801. As against this must be deducted general expenses of £85,018, interest on debentures £146,125, interest on amounts carried forward £18,483, amounts carried to reserve fund, and other sundry deductions, leaving an amount available, after all these deductions, of £211,909.

THE Creditbank of Industry, Berlin, has acquired a majority of the shares of the Elberfelder Privatbank, Berlin, and will merge the two institutions.

## CAPITALISM—OR WHAT?

[Continued from page 680]

trary to the principles of democracy. Political democracy was found to be necessary because no individual or class could be trusted to understand and care for the interests of another individual or class. But now-a-days economic power is more important than political power. The Government of France, for instance, has been shown, on several important occasions, to be really in Wall Street. The writer is not now saying that Wall Street has misused its power; on the contrary, in this instance I think it has been, if anything, wiser than the democracy of France. But the benevolent despot is exceptional and the experience which led to political democracy is equally conclusive in the economic sphere: it cannot be good that such enormous power should be vested in private corporations which are not responsible to the public whose lives are affected, for good or ill, by decisions having in view the profits of the corporations, not the good of the public. The mechanism of control of credit by the state, particularly with a view to preventing fluctuations of prices, has been worked out by several economists; see, for example, Lloyd's "Stabilization." This point of view is prevalent among British civil servants, largely as a result of experience during the war.

## CAPITALISM AND MODERN WAR

The writer has left to the last what is, perhaps, the most important argument against capitalism, namely its connection with modern war. Wars between nations now-a-days are mainly for markets or raw materials. The expense of a war is borne by the taxpayer, the profits go to private companies. Therefore these companies have a pecuniary motive (often operating unconsciously) for stirring up nationalism and imperialism: an enterprise may be profitable to them though unprofitable, on the whole, to the nation to which they belong. Consider, for example, the influence of oil in the

Near East on politics since the armistice. The British employed the Greeks and the French employed the Turks; Turks and Greeks massacred each other in complete ignorance of the interests they were serving. It is not improbable that large-scale wars may bring about the total destruction of western civilization by bombs, bacteria and poison gases. In a socialist community, war would be more obviously unprofitable, and therefore less probable.

There is also, throughout Europe, a grave danger of class war, which only some measure of public control over economic activities can avert. Finally there is one danger that Asia, led by Russia, may throw off Western domination (the motive of which is mainly economic), and embark upon a career of conquest in the style of Zenghis Khan and Timur. All these dangers are somewhat remote from America; but it is partly the post-war domination of American capitalism that makes it impossible for Europe to take steps to avert them. That is one reason why every good European must wish America to become more tolerant of new experiments in economic policy.

The purpose of such experiments should be to restrain the motive of private profit where it operates against the public interest, while leaving it free, so far as possible, where its normal operation is beneficial. All monopolistic economic power should, therefore, be in the hands of a public authority. For certain purposes, this authority should be international. A raw material, such as oil, which is a vital source of power, cannot justly be permitted to belong absolutely either to private persons or even to the nation on whose territory it happens to be. It ought to be in the control of an authority representing the consumers of oil in all countries. But in most respects national control would be sufficient. Already we do not allow private profit making to govern things which we think





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really important, such as war and elementary education. Public health is coming more and more under the control of the state and the local authorities. Although one commonly hears it said, especially in America, that state control means inefficiency, yet, oddly enough, the state undertakes whatever is regarded as essential to national self-preservation. Wherever the general stringency is such that the mere avoidance of starvation is difficult for many people, the argument for public control becomes so obvious that it cannot be long resisted.

#### ATTITUDE IN AMERICA TOWARD OPPOSITION TO FINANCIAL POWER

In America, any opposition to the unlimited power of financial magnates is still regarded as economic heresy. In England this is no longer the case: many economists of the highest academic attainments combined with experience of administration have become socialistic in their opinions, and in the main they are agreed that the first thing to be socialized is banking and credit. Many, indeed, consider this the only essential step; the rest of what is necessary would, they think, follow almost automatically. They are of course utterly opposed to unconstitutional methods: they aim at achieving their ends by persuasion lead-

ing to a parliamentary majority. Many of them think it probable that, when this stage has been reached, it will be necessary to employ the forces of the State to suppress sedition on the part of the capitalists, whose devotion to law and order would hardly survive if they no longer made the laws or controlled the police. But no British socialist of any importance contemplates the use of force except by a government to suppress sedition.

To sum up: the two great arguments in favor of a change, sooner or later, in our economic system, are: first, that an educated democracy will not permanently be content with the shadow of political power without the substance of economic power; second, that private capitalism seems incapable of coping with the menace of war, which, owing to the progress of science, is almost certain to destroy western civilization if it is not removed within the next generation.

This is the first article of a series which will comprise a symposium on the capitalistic system as opposed to other systems of social organization. The author of the article that appears herewith has gained an international reputation through his several books and numerous articles on social and industrial questions. In the July number of THE BANKERS MAGAZINE will appear a contribution to this symposium from the pen of Charles M. Schwab, chairman of the Bethlehem Steel Corporation—THE EDITOR.

## THE DECLINE IN FARM LAND PRICES

[Continued from page 676]

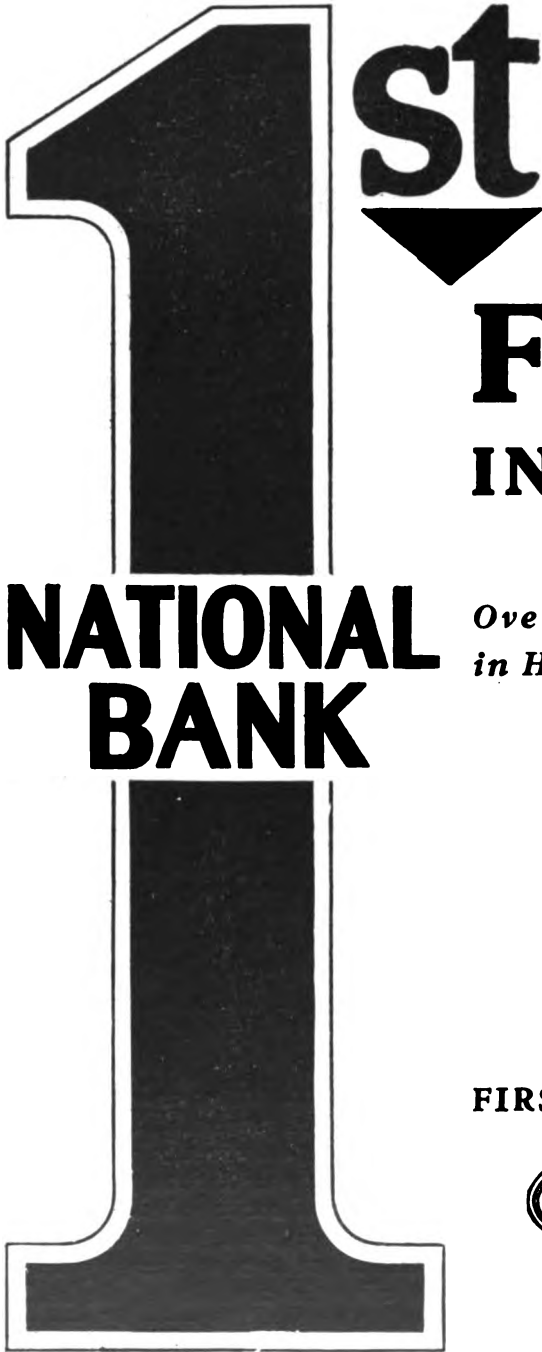
\$50.80 an acre, or a total loss to the farmers of Illinois of more than \$1,500,000,000. \* \* \* The land alone, leaving out of consideration the buildings and improvements, was valued in 1920 at \$164.20 an acre. Today its value is \$11.53."

But has the actual value of land, as distinguished from its price, shrunk to anything like the extent these figures would imply?

The inflated prices of farm lands, which prevailed prior to 1920 were due to the inflated prices of farm products

and the speculation in lands which these artificial prices produced. If other prices since 1920 had declined in proportion to the fall in prices of farm products, the farmer would not be so badly off despite the decline in the apparent value of his land. Fluctuations in acreage prices do not affect the capability of the land to produce crops. The range of prices of lands, however, is affected by the value of the crops produced, and is in fact an index of this value when not too much influenced by speculation.

While from the standpoint of the



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---

owner who wishes either to sell his farm or borrow on it a fall in price is a serious matter, it is an evil not without some compensation, since the prospective buyer at the reduced price can figure his returns on a lower capital investment. In fact, one of the forces tending to bring down prices of agricultural lands has been the recognition of inability to earn a fair return on the inflated land values heretofore prevailing.

The holder of an investment bond who buys at par, with a 6 per cent. yield, feels considerable satisfaction as the quotations on his bond advance beyond the price paid, for his capital is thus being enhanced, although the actual interest yield, calculated on the higher

price, has become less. And if the bond is not sold until near its maturity, the gain in capital that might at one time have been made disappears. Some analogy exists between the holder of such a bond and the owner of farm land that is advancing, but which is liable to a decline in price.

Perhaps the remedy for the decline in farm products, of which the shrinkage of land "values" is an index, consists in bringing down other prices to a level where farming will be profitable. After all, the important thing is that farm production should be put on a paying basis rather than that the prices of lands be stabilized.

## AMSTERDAM AS AN INTERNATIONAL FINANCIAL CENTER

[Continued from page 682]

that before the war Dutch investments abroad were estimated to amount to 3,500,000,000 guilders, whereas investments in Holland itself hardly amounted to 2,500,000,000 guilders (including investments in municipal and government securities).

The securities listed on the Amsterdam Stock Exchange offer one more illustration: Of the 1713 securities quoted in 1912, 815 (48 per cent.) were foreign, 268 (16 per cent.) colonial, and 630 (36 per cent.) domestic.

### THE WAR AND POST-WAR PERIOD

In three respects the war brought about a change on the Dutch investment market. First of all, since foreign financing was no longer possible, attention turned toward possibilities of investment and development at home. A strong industrial movement set in, furthered by a general desire to become, at least partially, independent of foreign markets. The industrialization of Holland, having had a steady but slow development up to the war, from that

time on proceeded at a much quicker tempo. Large amounts of capital were also needed for the typical war industries (dried vegetables, etc.), and hand in hand with this development went an expansion of the production, credit, and traffic organization, which found its expression in constantly increasing demands on the investment market. Issues of this kind [domestic issues including those of the government and municipalities] which before the war, hardly ever amounted to 100,000,000 florins, reached 143,000,000 florins in 1915, 267,000,000 florins in 1918, 410,000,000 florins in 1919 and in 1920 reached the enormous sum of 520,000,000 florins.

Second, large amounts of money were needed by both the municipalities and the government to finance their war and post-war budgets, and their flotations reached a size hardly thought possible before. While government flotations before the war were relatively rare, they now followed one another with great rapidity. They amounted to 383,000,000 florins in 1915 and reached their



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**T**HE coming of an American Express courier to this American mother and her daughter, in the confusion on the dock at Havre, has changed their utter despair into ecstasy of joy. Perplexed, in trouble, speaking no French, they were hopeless. His good American words of cheer, his courtesy, his assurance that it was really nothing he could not easily fix—they will never forget.

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This personal Service to travelers in foreign lands—endless in its variety, constant and efficient—has won the world's good will for the American Express Company. This Service is not sold. It cannot be

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maximum in 1919 with 897,000,000 florins. *Governmental issues alone, in 1919 amounted to twice the total amount of issues of an average pre-war year.* The municipal flotations, though much restricted by the energetic policy of the central bank, showed the same tendency to increase. From 50,000,000 florins in 1915 they rose to 129,000,000 florins in 1919.

Under these circumstances the investment market reached an expansion it had never known before. Total issues brought out in Holland in 1919 (the boom year) reached the enormous amount of 1,436,000,000 florins or about *three times the amount brought out in an average pre-war year.* Though for various internal reasons, the power of absorption of the market was much greater than in pre-war years, it is doubtful whether these huge amounts of capital would have been absorbed if the market had not received considerable support from foreign, particularly German, capital. This brings us to the third point, referred to in the beginning of the second part of this article.

#### THE FRUITS OF NEUTRALITY

The neutral position of Holland during the war, its favorable geographical location, and the relative stability of its currency, the guilder, induced during, and still more after the war, many foreign capitalists, to transfer their fortunes to Holland. The continual depreciation of the currencies of many European countries acted as a direct stimulus for capital in those countries to fly abroad, not only to Holland, but also to countries like Switzerland and in lesser degree, Sweden. Holland, however, received its fair share. The capital attracted in this way from Germany alone, and invested in Holland or deposited with Dutch banks, was estimated one time to amount to 500,000,000 guilders.<sup>3</sup> This capital largely participated in investments offered in Holland and formed an impor-

tant element in absorbing the government loans; for another part it contributed to revive the money market.

Now that, after a long period of abnormal conditions, we again have a few years of normal development to look back upon, it becomes clear that the investment market can hardly be said to have regained its pre-war importance.

Below are given the capital issues in the years 1922-1925 (including refunding loans but excluding conversion loans):

#### LOANS FLOATED IN HOLLAND

(000,000 omitted, the amounts are nominal)

| Year | Govern-ment | Munic-<br>ipal | Other<br>domestic | Foreign | Total |
|------|-------------|----------------|-------------------|---------|-------|
| 1922 | 225         | 61             | 133               | none    | 419   |
| 1923 | 102         | 61             | 35                | 11      | 209   |
| 1924 | 119         | 91             | 133               | 60      | 403   |
| 1925 | none        | 63             | 92                | 143     | 298   |

It may be deduced from the above figures that over the period 1922-1925 an average of 330,000,000 florins has been issued yearly, a figure which compares unfavorably with the pre-war average of nearly 500,000,000 florins, particularly if it is remembered that the guilder at present has about two-thirds of the purchasing power it had before the war, and that a substantial part of the issues brought out in the years 1922, 1923, and 1924 are government issues (446,000,000 out of 1,329,000,000 guilders).

The decrease in amounts issued, however, if compared with the situation before the war, is primarily due to a decrease in foreign issues. The domestic market does not seem to have lost its importance. The public during the war has become acquainted with industrial and other domestic securities and it may even be questioned whether a preference for domestic securities may not lead to a further industrialization and a tendency to invest at home rather than abroad. The experience of recent years, however, does not seem to point in this direction. Industrial issues in the last four years—with the exception perhaps of 1925—have been low; foreign loans,

<sup>3</sup>Estimate of Dr. G. W. J. Bruins, formerly of the Commercial University of Rotterdam.

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also foreign industrial issues, have been constantly increasing. In this connection it must be remembered that a continuation of rapid industrial progress in Holland will primarily depend on the development of foreign markets, and that, therefore, a slow, but steady development is rather to be expected. It does not, therefore, seem likely that in the future heavy amounts of capital will find their way to the domestic rather than to the foreign market.

#### FOREIGN LOANS GAINING IN IMPORTANCE

Foreign loans indeed, seem to gain rapidly in importance. From 11,000,000 in 1923 they increased to 143,000,000 florins in 1925. Sixty million guilders have been invested in Germany alone in 1925. Most issues in 1925 appeared as part of loans issued in the New York market. As Holland used to participate regularly in the London issues also, it is to be anticipated that the removal of the embargo on foreign loans in London, will result in a further revival of the foreign loan market at Amsterdam. The experience of the first few months of 1926 seems to confirm this impression.

The support which foreign capital will in future give to the market is another factor of great importance. German capital, since the mark has been stabilized, has for the greater part returned to

Germany, but considerable amounts of French capital have taken its place. Estimates cannot be given, but it is obvious that capital of this nature is highly unreliable and is liable to be withdrawn as soon as conditions abroad change for the better.

In the last analysis however, the future development of the Amsterdam investment market will depend on the future trend in the accumulation of wealth. As it is now, accumulation of capital in Holland is greatly retarded by heavy taxation, which at one time was estimated to consume one-third of the yearly national income. On the other hand the productive power of the country has been strengthened during the war; commerce now is backed by a strong industry, of more than national importance, having a firm footing abroad and raw materials within easy reach by means of the admirable system of water transportation. Exports since 1922 have increased by nearly 50 per cent. The Indies are a continual source of large profits and are still capable of great development. Holland's national wealth, which was estimated at from fifteen to twenty billion guilders in 1913, in spite of the losses caused by the war seems not to have decreased. Under these circumstances it is reasonable to expect that Amsterdam will soon regain the position it had before the war.

## WHY COMPTROLLERS?

[Continued from page 684]

that the growth is along proper lines, the comptroller can do a great deal toward establishing a feeling of confidence throughout the general business world toward his company. In other respects and along similar lines, the usefulness of the comptroller can be considerably enlarged. If he possesses a general knowledge of business together with some idea of legal practices and of the manner in which banks, credit companies and others

transact their business he can make the credit position of the company almost impregnable. He must be able to talk to financiers in their own language. He must, of course, have a thorough knowledge of the business in which he is engaged and in this he is in a fortunate position through the fact that from his control of the accounts, finances and budget, he can observe every part of the company's operations. It is vital to



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him to understand, for instance, in the budget, how the operations of one department fit into those of another and with the exception of the president he is probably in a better position than any other official to understand all the ramifications of the business.

#### THE COMPTROLLER IN BANKING

While industrial corporations seem to be making more and more use of the comptroller, there has been a tendency on the part of the banks to confine his functions to the accounting side entirely, including such items as the preparation of reports required by the Government, or the state, or by the executive manager or other official designated to take care of the bank operations. In some banks the cashier is the executive carrying out the details of the bank operations, while in others the president or executive manager or executive vice-president has been designated for this work. There is no reason why a bank comptroller cannot exercise the same functions in a bank that he does in an industrial corporation. He is capable of constructing the budget, of estimating the expenditures; salary adjustments can be foreseen, cost of new business can be arrived at; in fact, all the operations of the bank can be reduced to statistical form and used by the executives in order to guide them in the conduct of the bank.

It is more than possible that his duties might be extended to include for example an examination of loans which have been or are about to be made, just as in an industry an audit is made of property that is about to be acquired. This means as it should, that a high degree of efficiency and accounting skill on such matters must be expected on the part of the comptroller and his assistants. Comptrollers might even go further than this, and by studying the various business publications and the utterances of men of standing they may be able to advise of the expectancy of business crises or depressions and thus make themselves even more a necessary adjunct to the bank executives. When a man spends a large

part of his time in forecasting certain events he acquires a higher standard of certitude in such matters. While absolute reliance need not be given to all his prophecies, he may nevertheless introduce for discussion and consideration subjects of vital importance, and by thus directing the attention of the executives to the subjects he can receive in return the benefit of their advice and judgment.

#### A THREE-FOLD RESPONSIBILITY

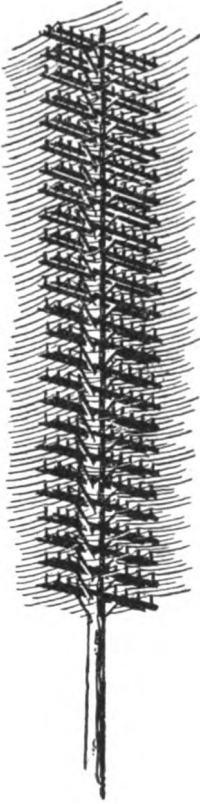
From the above it would seem that the comptroller's work is really three-fold; first controlling and making sure of the accuracy of all accounting methods, accounting reports, and statistics shown by the corporation, and comparing them with other periods or even with the reports of other similar companies; second, basing upon such figures some forecast of what is likely to happen in the future; and third, receiving and paying out properly the funds of the company. The second element has in it two kinds of interest; first, if the forecast shows a wrong tendency, the comptroller can save the company loss by calling it to the attention of the proper executive; second, if the forecast indicates a possibility of more success along certain lines, either through the elimination of certain unprofitable ventures or the possibilities of extension along profitable lines, he can present such possibilities to the executives of the company.

#### MAINTAINING FINANCIAL INTEGRITY

It is needless to say that throughout all his actions the highest degree of financial integrity must be maintained by the comptroller. There are times when thoughtlessly a method might creep in that would not be ethically as high as it should be, and to such methods the comptroller should always be opposed.

There were witnessed not long ago in the City of New York a series of conflicts between the executive and the comptroller which were published in the newspapers and known throughout the land. It might be that under the cir-

Sketch of Pole in West St., N. Y., in 1887, carrying 25 Cross Arms and 250 Wires.



## Do you remember this?

**I**F YOUR memory goes back to the nineties, you may retain a picture of great numbers of telephone wires strung high on poles in the streets of large cities.

These wires multiplied to such an extent that construction and maintenance were increasingly difficult. It became desirable to put the wires underground. But nobody knew how to do it. The first experiments were failures. The voice faded out. Difficult technical problems had to be overcome. But science gradually triumphed and today the Bell System has \$524,000,000 invested in underground conduits and cables that contain 30,000,000 miles of wire.

The total wire mileage of the Bell System is 45,000,000, interconnecting over 16,700,000 telephones and carrying 50,000,000 messages daily.

This nation-wide plant and its widespread service underlie Bell System securities.

*The dividend rate of the stock of A. T. & T.—parent company of the Bell System—is 9%. This investment stock can be bought in the open market to yield a good return. Write for booklet, "Some Financial Facts."*



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cumstances, that was the only method for the comptroller to take, in holding fast to his opinions, and while one cannot but respect him for the insistence with which he did so, nevertheless, how much better it would have been for all concerned, including the reputation of the city itself, if such conflicts could have been avoided and the matter decided, as practically all matters can be, by a calm discussion based upon a cool examination of the facts in the case. For an industrial corporation or a bank to thus air its internal difficulties would be disastrous. It is reasonable to assume that comptrollers in political

life with their duties as a rule specifically defined for them, must act in a more emphatic manner than others, and of course if a comptroller in a corporation or bank should meet with dishonesty it would be his duty to act in the same determined way. Dishonesty however is comparatively rare and the comptroller's best work can be done not by hostility and not as a carping critic but from the standpoint of one who believes in constructive criticism and brings out his figures and what they signify in order to co-operate and bring about a more satisfactory condition.

## A NEW PLAN FOR PRESENTING REPORTS TO A BOARD OF DIRECTORS

[Continued from page 688]

Herrick while attending advertising classes at Harvard in graduate work a year or so ago. Incidentally, it is a plan which comes down through the years, indorsed by Benjamin Franklin, who besides being a patriot and a philosopher, was a thoroughly good business man. Recounting his experiences to the writer, Herrick told how the "pro and con" system helped the advertising manager and led to the presentation of the soundest proposal.

Only a few weeks before, he said, he was considering an advertising idea, which had impressed him as being a very good one. He was personally sold on it. However, when he had tabulated the pro and con arguments, and considered them, he was unsold. The tabulation showed him clearly that the idea would be a poor one.

Getting the tabulation of arguments together, he had collected certain pieces of local information which, put down in

black and white, clearly demonstrated the inadvisability of the advertising idea.

Showing how the general idea can be extended to situations of many kinds was an incident which occurred when a local committee of bankers considered a referendum, being made nationally, on an important question. Herrick compiled the pro and con arguments on the subject, and presented them in visual form for the consideration of the committee. A decision was reached in a mere fraction of the time which would have been required had the committee commenced discussion with before it the mass of inclinations and opinions with which, undoubtedly, many other local committees and bankers dealt.

This general plan is susceptible of use in many ways around a bank. It gives both sides of a question. It is a time saver. Finally, it leads to the making of sound decisions.

## SHOULD LONG TERM CREDITS BE GRANTED TO FOREIGN BUYERS ?

[Continued from page 689]

said, "It serves the poor boob right for making such an illogical decision."

While it is undoubtedly true that the

frame of mind exhibited by this particular manufacturer does not represent the viewpoint of the majority of our



## Widely Experienced

And in close touch with business and conditions in Chicago and the central west, this strong financial institution invites your business—with the assurance of a satisfying service.

# CENTRAL TRUST

## COMPANY OF ILLINOIS

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CHICAGO

CAPITAL AND SURPLUS \$9,000,000.00



large industrial organizations, nevertheless, it is encountered with sufficient frequency to be well worth mentioning.

#### WHERE THE EXPORT DEPARTMENT IS NEGLECTED

In many industries, less than 10 per cent. of the production finds its way to buyers abroad, with the result that the export department is given little consideration. Any executive is prone to concentrate his attention upon that portion of his business which pays the dividends and increases the amount of the company's surplus at the end of each year and he cannot be blamed very much for doing so. It is up to the export manager to convince the domestic organization that there are equally important markets outside of our own borders and that their development can not be accomplished over night. He must also sell his different executives on the necessity for cultivating foreign customers over a period of time so that a large volume of goods can be shipped to South America, Asia, Africa or Europe, as the case may be, when domestic sales fall off and finished inventory shows a tendency to back up at the plant. In other words, if the American manufacturer has a burning desire to do business abroad, he should follow the same sensible program in the development of his foreign markets as in the case of his domestic business.

Assuming that such a desire exists in the case of some corporation producing a certain type of machine for which they receive an order from Whitney & Co. of Sydney, Australia, with the request that goods be shipped against a sixty day sight draft, documents to be released against acceptance. If Whitney & Co. is a new customer, the credit manager will proceed to investigate to determine the honesty and responsibility of the buyer and if the facts which are ascertained are favorable, there will be no quibbling about the length of time the draft has to run. Similar orders from all parts of the world will be carefully scru-

tinized, trade customs ascertained and competition met in whatever way necessary if the business shows a proper profit. In a similar corporation, if the export manager is dealing with some executive whose vision is limited to this country alone, he will probably be told that customary terms of sale on domestic transactions call for payment not later than sixty days from the date of the shipment from the factory, and that consequently transactions with Australia should be based upon a sight draft, due to the fact that mail transit between Kokomo and Sydney requires just about that length of time before the buyer's check can be deposited in the First National Bank.

What facts can the export manager present in his effort to sell Mr. Smith at the Kokomo plant? His argument will probably include the fact that an Australian buyer, if limited to a strictly cash basis, can only purchase goods equal in volume to the invested capital plus whatever bank credit he may command. Obviously, an Australian firm can buy several times that amount if the American buyer will give him sixty days after the arrival of the goods in which to sell them to the consumers in Sydney and to collect the proceeds of such sales. Domestic business, if restricted entirely to a cash basis, would automatically be reduced in volume to a mere shadow of that which is handled today. Next, the export manager will probably mention the fact that there are banks in New York and elsewhere which are perfectly willing to purchase drafts drawn by manufacturers of good standing on firms in all parts of the world and that consequently it is a simple matter to get the amount of money involved in the shipment to Sydney within two or three days after the goods leave Kokomo.

If the question of price is involved it is easy enough for the manufacturer to add to his ordinary domestic quotations an amount sufficient to cover interest for thirty or sixty days or whatever time may be involved over and above similar sales made at home.

#### EFFECT OF LONG TERM CREDITS ON FOREIGN BUYERS

The second fundamental factor in long term credits, which was mentioned at the beginning, is the effect of such terms on foreign buyers. The importer abroad, when approached with the suggestion that he buy American goods will do so only if the merchandise itself is equal to or better than that which he can receive from England, France or some other foreign country, and if the terms of sale are equal to or better than similar terms which can be obtained elsewhere. Americans cannot expect that foreign customers will exhibit more sentiment in matters of this character than they themselves do in purchasing raw materials in our domestic markets. Men are in business throughout the world for the primary purpose of making money, and one may rest assured that each buyer and each seller will try to get his share of profits as in the case of the Australian firm requesting sixty days time. All foreign buyers require a reasonable period of time in which to sell goods to consumers to whom they in turn must grant credit of some sort.

Where are long time credits needed most? At the present time, they are unquestionably of greatest necessity in those countries of Central Europe which have not as yet returned to economic health and also in the Near East, but the need for credit is really universal.

#### HOW CAN LOSSES BE AVOIDED?

How can losses be avoided when long term credits are granted? If the American exporter has established proper representation abroad, his agents, when instructed to do so, will send him complete information regarding prospective customers for whom they wish to place orders. They will probably tell their American principals something about the past history of the buyer, his methods of making payments on current transactions and his standing in the trade. Very often some banking comment accompanies the facts mentioned.

It is a simple matter for either the

export credit man or domestic credit man, as the case may be, to obtain from Dun or Bradstreet an agency report covering the foreign firm. However, each name should be investigated further through one of the big New York banks doing foreign business. An unusually good source for credit information of this character is at the disposal of the members of the Foreign Credit Interchange Bureau of the National Association of Credit Men for that organization secures and disseminates actual ledger experience among its subscribers.

If the various bits of information obtained from these different sources make a favorable composite picture, the American manufacturer runs little, if any, more risk than in granting similar terms to an equally good house at home, provided the economic and political conditions in the country in which the foreign buyer lives do not show unfavorable tendencies. Obviously, it would be foolish to sell in a country which is in the midst of a civil war or one which sits on the verge of bankruptcy, without making some attempt to safeguard the payment of the necessary drafts either by way of an irrevocable confirmed letter of credit or otherwise. The Department of Commerce, through its trade investigators and consuls, is constantly receiving information regarding the state of health of foreign countries. This is equally true of our large international banking organizations, in addition to which our daily newspapers and magazines carry news items and comment regarding the foreign situation so that there is no excuse for any one not knowing where the world is headed and usually why it is going there.

#### SHIPPING GOODS ON CONSIGNMENT

To sum up: If the foreign buyer appears to be honest, financially strong, and a resident of some part of the world where peace and prosperity prevail, the American manufacturer should do for him, whether his name be Luigi, Otto or Jose, exactly what he would do for Luke, Pete or Jack.

With respect to the policy of shipping



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goods abroad on consignment, the question is often raised whether this is safer and more satisfactory than extending credit by way of 60, 90 or 120 day drafts. Most experienced exporters belong to the homeopathic school which holds that the draft method is better; first of all, because it gives the seller a tangible evidence of indebtedness from the buyer; and, second, because a definite maturity date is fixed by the acceptance of the draft, thus enabling the seller to know when payments will be made to him. It can be readily seen that in the case of bankruptcy or other difficulties, consigned goods may be hard to get back and great difficulties must be surmounted even in the matter of proving a claim as creditor. If sellers are willing to ship goods abroad for an indefinite period of time, such transactions can be handled very satisfactorily if the shipments are sent to a foreign bank with instructions that the merchandise is to be warehoused upon arrival at its destination, and partial release permitted against payment or in accordance with other definite conditions. Shipments of this type really create for the American manufacturer a foreign depot which in certain lines of merchandise may be essential for the development of satisfactory sales, although many concerns in this country do not wish to tie up their money in that way.

#### THE MATTER OF COMPETITION WITH EUROPE

In conclusion, it is important to point out that England, France, Germany and the other important nations of the world look largely to export trade as the means by which their finances will be rehabilitated. Consequently, it may be assumed that increasingly keen competition will be met in the years to come and that corporations, firms and individuals in other lands will not overlook any legitimate means by which to secure customers of the right type. Part of the program will be the extension of long time credits whenever they can be granted safely. The big foreign banks abroad will finance such transactions gladly. The attitude of the American banker is exactly the same as that of his foreign confrere in that he will permit his customers to do business on long term credits if he is assured that the customer knows his business and is merely meeting overseas competition. The bankers will not and should not permit American exporters to run wild by extending six months credit where three months will do the job; nor, should they allow the inexperienced exporter to borrow large sums even on a ninety day draft. Export managers find little difficulty in obtaining banking help if they present their problems intelligently to international bankers.

### SECURING ADDITIONAL INDORSER WITHOUT MAKER'S CONSENT NOT A DEFENSE

[Continued from page 691]

ing that as appellant's only defense to the note sued on.

Judgment affirmed.

#### TITLE TO DRAFT DEPOSITED FOR COLLECTION REMAINS IN DEPOSITOR

First National Bank of Roswell, N. M., v. Smith Bros. Grain Company, Court of Appeals of Texas, 276 S. W. Rep. 951.

The plaintiff, Smith Bros. Grain Com-

pany, obtained a judgment against Levers & Company and undertook to garnish funds in the hands of the Farmers' and Mechanics' National Bank at Fort Worth, which came to the bank under the following circumstances. Levers & Company drew a draft on Rogers & Co., in care of the Farmers' and Mechanics' National Bank of Fort Worth, payable to the First National Bank of Roswell. The draft was drawn against a carload of hay shipped to the

order of Levers & Co., notify Rogers & Co. The Roswell bank gave Levers & Co. credit for the amount of the draft, upon receiving it, but charged interest thereon. The amount of the draft was subject to deduction of the amount of freight on the car. It was held that the draft was delivered to the Roswell bank for collection, that the bank did not obtain title to it or to its proceeds and that the plaintiff was entitled to the fund in the hands of the Fort Worth bank as the judgment creditor of Levers & Co.

Action by the Smith Bros. Grain Company against R. E. Levers & Co., in which the Farmers' and Mechanics' National Bank of Fort Worth was garnished, and wherein the First National Bank of Roswell, N. M., appeared and controverted the pleading of plaintiff. From a judgment for plaintiff, the First National Bank of Roswell, N. M., appeals. Affirmed.

#### OPINION

CONNER, C. J.—Appellee obtained a judgment against R. E. Levers & Co., and as such judgment creditor garnished the Farmers' and Mechanics' National Bank of Fort Worth, Texas. The Fort Worth bank answered that it was not indebted to Levers & Co., but that it held \$193.54, the proceeds of a draft drawn by that company, on December 4, 1923, on E. M. Rogers & Co., payable to the First National Bank of Roswell, N. M., and by that bank sent to the garnishee for collection; that the amount so collected by the garnishee bank was claimed by the Roswell bank as its property.

The appellee controverted the answer of the garnishee bank and alleged that the Roswell bank had received and accepted the draft for collection only, and that the drawer of the draft, Levers & Co., was in fact the owner of the fund, and it prayed that the Roswell bank be made a party and that it have judgment against both banks for the amount of the judgment which it alleged it had recovered against Levers & Co., in the

main suit to which the garnishment was ancillary.

The Roswell bank appeared and controverted the pleading of the Smith Bros. Grain Company, alleging that it had purchased the draft from Levers & Co. and paid value for the same, and that the same was not taken by it for collection only, and that the fund collected by the Fort Worth bank belonged to it and not to Levers & Co.

The case was tried before the court without a jury and resulted in a judgment for the appellee company, from which the Roswell bank has prosecuted this appeal.

The draft in question was drawn by R. E. Levers & Co. upon E. M. Rogers & Co., care Farmers' and Mechanics' National Bank, Fort Worth, Texas, and made payable to the First National Bank of Roswell, N. M., in the sum of \$322.56. Beneath the figures \$322.56 appear in pencil \$129.02, making a balance of \$193.54. It was indorsed in blank by the First National Bank of Roswell, and further indorsed:

"No protest. Do not return account nonpayment until disposition instructions are furnished by sender. On arrival of car Penn 5600332, accept paid freight bill as part payment. F. & M. Collection No. 18278. Paid December 4, 1923."

The trial court found that the draft had been delivered to the Roswell bank for collection only, and that the proceeds in fact belonged to Levers & Co. It is manifest that the vital issue in the case is one of fact. The draft was not indorsed by Levers & Co. for collection merely, and at the time of its deposit the evidence shows that the Roswell bank entered its face value to the credit of Levers & Co., which was one of its customers, and we think that without further explanation and evidence the fund would belong to the Roswell bank. Under that state of facts the Roswell bank would have the legal title and be entitled to recover the draft or its proceeds from whomsoever had possession thereof.



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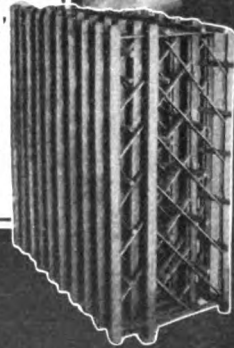


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BANK VAULT REINFORCEMENT

See *Provident National Bank of Waco v. Cairo Flour Co.* (Tex. Civ. App.) 226 S. W. 499; *Atlantic Oil Producing Co. v. Dawkins* (Tex. Civ. App.) 230 S. W. 525; *West Texas National Bank v. Wichita Mill & Elevator Co.* (Tex. Civ. App.) 194 S. W. 835. But we think it was not conclusively so.

In 3 R. C. L. p. 524, § 152, it is said:

"When a check or other commercial paper is deposited in a bank, indorsed for collection, or where there is a definite understanding that such is the purpose of the parties at the time of deposit, there is no question that the title to the paper remains in the depositor. So, checks deposited as checks do not give rise to the relation of debtor and creditor, and the title to them remains in the depositor; the bank merely acting as an agent of the depositor for the purpose of collection. If, on the other hand, there is a definite understanding at the time of the deposit that such paper is deposited as cash, it is clear that the title passes to the bank. But, where a check indorsed in blank is deposited without any definite understanding as to the way it is to be treated, but is credited by the bank to the depositor as cash, and is so entered upon the depositor's pass book, the question frequently arises whether the title to the check passes immediately to the bank or remains in the depositor. Prima facie, according to the weight of authority, the passing, to the credit of the depositor, of a check bearing an indorsement not indicating that it was deposited for collection merely, passes the title to the bank. Still, according to the weight of authority, the rule above stated is not an absolute rule, and is prima facie merely, and yields to the intention of the parties, expressed or implied, from the circumstances."

In *Michie on Banks and Banking*, vol. 2, p. 1374, § 156, it is said:

"It is a well-established rule that, where negotiable paper is deposited with a bank for the purpose of collection, the relation of principal and agent is thereby created between the depositor and the

bank, and not the relation of creditor and debtor. The bank becomes the agent of the holder or payee, not of the drawer or maker. A bank, having received paper for collection, does not owe the amount thereof to the sender until collected, and, though it may enter a credit in its books therefor, such a credit may be treated as provisional if the paper is afterwards dishonored, and it may cancel the credit."

The rule indicated by the quotations just made is supported, we think, by the case of *Heid Bros. v. Commercial National Bank of Hutchinson*, 240 S. W. 908, 24 A. L. R. 904, in an opinion by Justice Hamilton of the Commission of Appeals, approved by the Supreme Court, and by the later holding of the El Paso Court of Civil Appeals in the case of *Commercial Nat. Bank of Hutchinson v. Heid Bros.*, 257 S. W. 913.

If, therefore, nothing had been shown except that *Levers & Co.* had drawn the draft payable to the Roswell bank and that the Roswell bank had given credit therefor to *Levers & Co.*, the judgment of the court would have been erroneous, but the evidence does not stop at this point. The draft was drawn by one J. C. Hearne, the office manager of *Levers & Co.* He testified to the effect that he personally handled the transaction; that accompanying the draft was a carbon copy of an invoice from *Levers & Co.* to *Rogers & Co.*—certificate of weight—a shipper's order bill of lading, covering a car of alfalfa hay, consigned to shipper's order with notification to E. M. Rogers; that he turned the draft over to the First National Bank of Roswell, N. M., and that bank credited *Levers & Co.* with \$322.56 for the draft and bill of lading; that the draft was subject to deductions as to the amount of the same; that the freight on the shipment was deductible; that, on receiving returns on the draft, the paid freight bill covering said freight would be, in effect, a draft against *Levers & Co.*, and would be presented to it for payment in the same manner as any other draft would be

presented; that the draft was not discounted to the bank, but just interest charged; that the interest charge was to be collected from Levers & Co. at the time of presenting to them the freight bill for payment; that the draft was what is known as an "arrival draft," and that the shipment of alfalfa hay covered by the draft was subject to inspection at destination; that the freight had not been prepaid; that the purchase price of the hay on which the amount of the draft was determined was on basis delivered at destination; that in drawing the draft no allowance was made for freight; that it was subject to rejection upon inspection of the hay at destination; that the bank at Roswell did not make any inspection of the hay through any of its employes.

There was further evidence to the effect that the shipment of hay was from Colorado and not from New Mexico, and testimony on the part of the bank's employes was to the effect that Levers & Co. was to be charged interest on the amount of its credit from the date thereof until the proceeds of the draft had been received by the Roswell bank. There is nothing in the evidence to the effect that, at the time of delivery of the draft to the Roswell bank by Levers & Co., there was any special negotiation or agreement in the nature of a purchase and sale.

Under such circumstances, we think it cannot be said that the trial court's conclusion was erroneous. The evidence bears the inference, at least, that the Roswell bank would not have made an absolute purchase of the draft subject to a reduction of the amount of freight not then known to it and not then known by Levers & Co., and also subject to the hazard of a rejection upon inspection of the hay at its destination, and its charge of interest indicates that the credit given Levers & Co. was treated as a loan and not as a final payment on a purchase made.

We accordingly conclude that the trial court's findings of fact and conclusions

of law should be adopted, and the judgment affirmed.

#### DEMAND NOTE NEGOTIATED THREE YEARS AFTER ITS DATE

Finch v. Devanney, Supreme Court of Oklahoma, 240 Pac. Rep. 79.

The Negotiable Instruments Law provides that where an instrument payable on demand is negotiated an unreasonable length of time after its issue, the holder is not a holder in due course.

In this case, a demand note for \$1000, signed by the defendant and dated April 3, 1920, was indorsed by the payee without recourse to the plaintiff on March 5, 1923. The defendant, by way of answer, alleged that the note was given without consideration and that the payee subsequently told him that the note had not been used but had been destroyed. The defendant further alleged that the note had been negotiated to the plaintiff, not in due course, but for the purpose of defrauding the defendant. It was held that the question as to whether the note had been negotiated within a reasonable time so as to make the plaintiff a holder in due course and entitle him to recover was a question which was properly submitted to the jury. A verdict in favor of the defendant was affirmed.

Action by C. B. Finch against P. J. Devanney. Judgment for defendant, from which plaintiff appeals. Affirmed.

#### OPINION

RILEY, J.—This action was commenced in the district court of Beckham county by plaintiff in error, C. B. Finch, as plaintiff, and against the defendant in error, P. J. Devanney, as defendant below. For convenience the parties will be mentioned as they appeared in the trial court. The action is based on a promissory note in the sum of \$1000, dated April 3, 1920, due upon demand, the same being executed by defendant to A. M. Cuff, and negotiated by Cuff, without recourse, March 5, 1923, to plaintiff, C. B. Finch.

The answer of defendant admitted the execution of the note, but alleged that the same was executed and delivered to A. M. Cuff without consideration and for the purpose of aiding said Cuff in borrowing money; that the defendant was informed by Cuff that the note was not used, but destroyed. It was further alleged by defendant that the note was not negotiated to plaintiff in due course, but for the purpose of defrauding defendant. A reply in the nature of a general denial was filed by the plaintiff, and upon the issues thus joined the cause was tried to the jury, and, verdict rendered in favor of the defendant, judgment thereon was rendered, and motion for new trial was filed and overruled, and this appeal perfected. The answer of the defendant raised the question of the negotiation of the instrument in good faith before maturity. On this question evidence was offered by the defendant as to the reasonableness of the time for negotiation of demand notes.

The specifications of error set out by plaintiff in 1, 2, 3, 4, 5 and 6 are leveled at the testimony of witnesses Marsh, Ford and Johnson, which testimony was admitted by the trial court touching upon the custom and usages of banks and others as to the reasonableness of time in the matter of negotiability of commercial paper. It is asserted by plaintiff that demand notes are negotiable until demand has been made for payment, which demand must be made within a reasonable time, but it is contended by plaintiff that the question as to whether or not a reasonable time has elapsed is one governed by the particular facts in each case, and that proof touching this question is competent, relevant, and material only when confined to the particular facts shown in evidence.

Section 7723, Compiled Oklahoma Statutes 1921, provides as follows:

"Where an instrument payable on demand is negotiated an unreasonable length of time after its issue, the holder is not deemed a holder in due course."

Section 7667, Compiled Oklahoma Statutes 1921, provides:

"In determining what is a 'reasonable time' or an 'unreasonable time,' regard is to be had to the nature of the instrument, the usage of trade or business (if any) with respect to such instruments, and the facts of the particular case."

The witness Marsh testified that he was cashier of the Beckham County National Bank of Sayer, Okla., and had been such for a period of seventeen years; that a demand note would be considered by the banking department as bad paper six months after date; that in the locality, under the usage and custom existing, three years would be an unreasonable length of time in which to negotiate a demand note. The witnesses Ford and Johnson testified in substance to the same effect.

Bearing in mind the provisions of the law relating to negotiable instruments as contained in section 7667, supra, and the facts disclosed by the record that the note sued upon was dated April 3, 1920, made payable after date, and that Finch acquired the said note on March 5, 1923, and was at that time engaged in the banking business at Gotebo, Okla., and had theretofore lived in the locality where the defendant resided, we see no reason why such evidence as complained of was not admissible.

The note forming the basis of the action was introduced in evidence, the particular facts regarding the relation of the parties, the execution, delivery and assignment of the note, as contended by the plaintiff and defendant, were before the jury, and, under the statute, evidence complained of in respect to usage and custom of business, confined to the element of time in the negotiation of demand notes, was material and pertinent to the proper consideration of the matter.

It may be borne in mind that it does not appear from the record nor from the note itself that any amount of interest or principal was paid upon the note sued upon.

In the case of Besse v. Morgan, 84 Okla. 203, 202 P. 1012, it is said:

"Even though the defendant offers no



evidence on rebuttal to disclose that the plaintiff was not a bona fide holder of the note in due course, but where defendant has denied said fact, and the evidence introduced on the part of the plaintiff to prove such fact is of such nature that men of ordinary intelligence might draw different conclusions therefrom, it is not error for the court to refuse to instruct a verdict for the plaintiff."

We are of the opinion that the evidence bearing upon the usage and customs of trade and business with respect to promissory demand notes, and bearing upon the reasonableness of time of negotiation of such instruments, in view of the particular facts of the case at bar, was admissible to determine whether or not the plaintiff was a holder in due course. There is no precise time when such a note is to be considered dishonored. It depends upon the instrument itself, the local usage, and the situation of the parties, or, in short, the special facts of each case.

Consideration given to both the statute and authorities, the question of reasonable time seems to be one of fact to be determined by the circumstances of the particular case. *German-American Bank v. Mills*, 99 App. Div. 312, 91 N. Y. S. 142; *Barbour v. Fullerton*, 36 Pa. 105; *Bacon v. Harris*, 15 R. I. 599, 10 A. 647.

In the following cases, wherein the period of from two and a half to eight months' time had elapsed, it was held that such time was beyond a reasonable period and sufficient to dishonor a demand note. *Losee v. Dunkin*, 7 Johns. (N. Y.) 70, 5 Am. Dec. 245; *Ayer v.*

*Hutchins*, 4 Mass. 370, 3 Am. Dec. 232. There is, however, no definite rule to be applied, and, among other elements, "the facts of the particular case" are to be considered. The question of reasonable time in such cases is a proper matter for the determination of a jury.

In the case of *Herrick v. Woolverton*, 41 N. Y. 581, 1 Am. Rep. 461, it is said:

"The rule, that a promissory note, payable on demand, with interest, is a continuing security, does not apply between holder and maker. Therefore, a note, payable on demand, with interest, transferred nearly three months after date, is past due when transferred, and subject to all defenses that would have been available if the suit had been by the original payee."

See, also, 3 R. C. L. 1047.

It is contended by the plaintiff that the verdict of the jury was not sustained by sufficient evidence and was contrary to law. The plaintiff, in his brief, points out wherein the evidence is conflicting and contradictory, yet we see no merit in this contention for the reason that this court, under the announced rule, in a law action will not weigh conflicting evidence in order to determine the preponderance, but if there is any competent testimony that reasonably tends to support the verdict of the jury, the judgment based thereon will not be reversed on appeal. See *Seyler Development Co. v. Mullen*, 93 Okla. 293, 220 P. 471; *Oil Co. v. Oil Co.*, 93 Okla. 297, 220 P. 839; *Jones v. Hudson*, 98 Okla. 116, 224 P. 185.

The judgment of the trial court is therefore affirmed.

## SHOULD THE FEDERAL RESERVE BANKS BE RECHARTERED NOW ?

[Continued from page 678]

sibility of such a crisis arising. The curing of the present defects is important, but they will be handled by Congress with far more wisdom if there is not in

the background the thought that a situation may be created which will prevent the renewal of the charters altogether.

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## SEASONAL VARIATIONS OF BUSINESS IN THE BALANCE SHEET

[Continued from page 694]

termination of the company's financial requirements, and adjusted at the end of each month in accordance with what actually happened, as against what was anticipated.

This summary budget opens with the amount of cash on hand. To this it will be noted is added the estimated receipt of cash for the month (naturally, chiefly from the collection of receivables) and to this, in turn, is added the amount of money which the company expects to borrow during the month. Of course, if any other cash receipts were estimated, such as funds from the sale of securities, sale of additional capital stock or bonds, or the sale of certain fixed assets, such receipts would be included here before arriving at the total receipts.

Next in the forecast comes a summary of the payments for the month: payments for merchandise which the company will have to purchase during the month; payments for merchandise which is ordered ahead on the season's dating; payments for merchandise under contracts; payments for the finishing of merchandise (not for manufacturing, in the case of a manufacturing concern, but for bleaching, dyeing, and finishing as in the case of the cotton converter, etc.).

There is also place provided for the estimated payments on account of pay-rolls, rents, sundry bills, etc., and for all bank loans maturing during the month. These total anticipated payments are deducted from the total anticipated cash receipts and cash balance at end of month



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is estimated. This estimated cash balance at the end of month is naturally the estimated cash balance for opening of the following month.

|                                   |                 |
|-----------------------------------|-----------------|
| FINANCIAL FORECAST FOR.... 19.... |                 |
| Amount on hand                    | \$.....         |
| Receipts estimated                | \$.....         |
| Borrow                            |                 |
| .....                             | \$.....         |
| .....                             | \$.....         |
| .....                             | \$.....         |
| .....                             | \$.....         |
| .....                             | \$.....         |
| .....                             | \$.....         |
|                                   | .....           |
|                                   | <hr/>           |
|                                   | TOTAL \$.....   |
| PAYMENTS                          |                 |
| Mdse. to purchase                 | \$.....         |
| " listed                          | \$.....         |
| " contracts                       | \$.....         |
| " Finishing                       | \$.....         |
| Payrolls, etc.                    | \$.....         |
| Rents                             | \$.....         |
| Sundries, bills, etc.             | \$.....         |
| .....                             | \$.....         |
| PAPER MATURING                    |                 |
| .....                             | \$.....         |
| .....                             | \$.....         |
| .....                             | \$.....         |
|                                   | Total .....     |
|                                   | <hr/>           |
|                                   | BALANCE \$..... |

This summary of financial forecast as here given is brief and does not take in the minute details of the allocation of expenses to various departments and phases of the business. It is merely a summary of estimated cash receipts and cash disbursements providing a means to estimate bank borrowings and duration of bank loans. The names of banks can be inserted both under the cash receipt side and the payment side. If the name appears on both sides it indicates a renewal. Of course, a budgeting is not as simple as this form might tend to indicate, as this is not a detailed budget for each department and phase of the business, but is merely a synopsis for the month of the entire business. A certain volume of business is anticipated and agreed upon by the sales manager and the officers of the company, and based upon this anticipated volume, the company's affairs are budgeted with regard to purchases, borrowings, collections,

payments for labor, duration of bank loans, etc.

As previously stated, the treasurer's acquaintance with the particular company's experience in the past, or the experience with other companies enables him to estimate receipts and payments rather accurately once it is agreed upon as to volume, on which the affairs are to be budgeted.

QUESTIONS AND ANSWERS ON CREDIT PROBLEMS

QUESTION: Some of the automobile finance companies borrow on a straight note basis, rather than on collateral trust notes. We would appreciate your comments on the straight note form of borrowing.—B. C. D.

ANSWER: There is a wide range in the form of obligation used by finance companies. Some borrow on collateral trust notes with the guarantee of two surety companies. Others borrow on the guarantee of one surety company. Some others borrow on their own collateral trust notes, and as mentioned, some on straight paper. Even when the collateral trust note is used, the margin pledged over and above the obligation varies. Some pledge \$1 of customers' paper for each dollar of collateral trust notes, giving no margin. It is, therefore, evident that the manner in which the finance company is able to borrow is a great deal dependent upon its general standing and reputation.

It costs money to obtain a surety company's guarantee, and it also costs money to place the collateral with an independent bank. The finance companies which are able to borrow substantially without this expense are in a fortunate position. In the case of trusteeing the collateral, the trustee, usually a bank, assumes no obligation as to the goodness of the collateral, but merely certifies that there has been a certain amount of notes in dollars assigned to it, which it holds against a specified amount of collateral

trust notes. It would be perfectly possible for the finance company to place with a trustee bogus notes, and while the trustee might certify that it has a certain amount of collateral there is nothing to assure the goodness of it. The proposition, therefore, resolves itself largely into one of confidence in the management of the finance company; that it will make its loans on a proper basis, and conduct its affairs in an honest and legitimate way.

Once this is assured, it makes little difference whether collateral trust notes are issued or not. The collateral trust notes are of course, a feature in holding borrowings within a certain proportion of the company's assets, but here again, if the management is honest and running a clean shop, it will keep its finances in proper condition, and will not borrow more money than it can use in making proper loans.

## THE CANADIAN FEDERAL TARIFF BOARD

[Continued from page 697]

the crop season advances to a stage where there is some indication of the year's results. Thus far conditions on the land are promising and there would seem to be reason to anticipate that, in view of crop conditions, the prices to prevail this fall will be very satisfactory from the farmers' standpoint if there is anything like an average yield. At the same time developments in the United States will be watched very closely for their influence on this side of the border. The psychological influence is important but there is to be considered also the practical effect of any considerable surplus of manufactured products in the United States, falling off in employment, etc.

An interesting development indicating, in a significant way, the economic consequences of the development of export trade in relation to import trade is noted on the Pacific Coast. Following the opening of the Panama Canal, the port of Vancouver has developed in an important way as a factor in the shipment of the western Canadian grain crop to European markets. However, as the export trade in wheat through the canal has developed, it has been found that the vessel owners, looking for cargoes to move to this country, have accepted shipments of coal at very low rates and this product, moved by the aid of subsidies to insure employment in England, is being landed in Vancouver at prices to compare favorably with the product of the mines of British Columbia. This

is a case of bringing coal from Newcastle to sell practically at the pit mouths of mines on the Pacific Coast of America.

Canada is building up a very satisfactory trade with the Far East. During the last year the value of trade between Canada and Japan increased \$3,000,000, setting a new record. The record is particularly notable in view of the fact that British Columbia's lumber exports to Japan were not as high as they have been averaging during the previous few years. The volume of trade between Canada and Japan in 1925 was \$33,125,000, of which over \$25,000,000 was represented by exports of Canadian goods. In other words Canada's share was nearly five-sevenths of the total—a rather one-sided proportion, although with the return of more stabilized conditions in the Orient it is expected that a more balanced trade will prevail. Nearly \$10,000,000 worth of wheat alone was shipped to Japan last year. Pulp exports aggregated \$2,250,000. Increases were noted also in asbestos and beef.

Unseasonable spring weather has been an unfavorable factor in retail trade, but reports from principal distributing points as to orders for future delivery are more encouraging. Sales of drygoods and wearing apparel in Eastern Canada are expected to average slightly higher for the spring season than for 1925, while purchasing by retailers in the western provinces is on a much more extensive scale than that of a year ago.

## International Securities Trust OF AMERICA

A MASSACHUSETTS TRUST

*First among American Investment Trusts*

**Resources over \$10,000,000**

### The Culmination of Investment Service

THE rapidly increasing Interest shown by American Investors in the Investment Trust is due to the fact that the well equipped Investment Trust is the Embodiment, in Final and Complete Form, of the Principles of Investment Service which are Stressed on every side Today.

THE International Securities Trust of America exercises more Pains-taking care in Investing and Reinvesting its Funds than the Individual Investor can possibly do. In this way it has Created a Security which the Owners of its Bonds and Share Units can with perfect Assurance—"PUT AWAY AND FORGET"—

A Monograph Entitled

*"The Investment Trust*

*The Culmination of Investment Service"*

has been prepared and will be mailed upon request.

Send for Booklet I-BM-20

### American Founders Trust

A MASSACHUSETTS TRUST

FISCAL AGENT

First National Bldg.  
Boston

50 Pine Street  
New York

## THE FINANCIAL AND ECONOMIC SITUATION ABROAD

[Continued from page 721]

United States to meet government obligations was made early in April. A part of this amount will probably be used to stabilize exchange.

### JAPAN'S ECONOMIC CONDITION

In an article in the *Foreign Securities Investor*, H. Kashiwagi, agent Yokohama Specie Bank of New York, discusses the rapid appreciation of the yen which was noticed in these columns last month. He attributes it to three factors: the thoroughgoing practice of liquidation and readjustment of finance throughout Japan, illustrated in the reduction of the budget 100,000,000 yen from 1,654,000,000 yen in 1924 to 1,549,000,000 yen in 1925, and the stabilization of the note issue and the gold reserve of the Bank

of Japan since 1923; the betterment of the foreign trade balance, which reduced the excess of imports from 646,000,000 yen in 1924 to 265,000,000 yen in 1925, while increasing the total amount of both exports and imports; and the importation of a large amount of foreign money. "To sum up," he says "Japan's condition in general has improved greatly since the catastrophe of 1923, due partly to the hard work and thrift of the Japanese people, and partly to the friendly support of foreign nations, particularly America and England. Liquidation and readjustment of all economic difficulties were met with wisdom and courage, leading toward the marked improvement of the external balance sheet of Japan in 1925." He attributes the recent sensational yen rise

**T**HE organization of Dietz, Pennell & Jordan offers Interior Equipment Engineering Service to Banks & Architects.

This specialized service includes the developing of practical and economical plans for the efficient operation of Banks.

**Dietz, Pennell & Jordan**  
**Bank Equipment Engineers**  
**500 Fifth Avenue**  
**New York**

Booklet on Planning & Equipping of  
 Banks will be sent on request

to speculation, adding that "the Japanese people have an earnest desire for the early recovery of the yen throughout the world. They do not want, however, an abnormal advance in the yen rate, caused by extreme speculation. They do not wish a hasty decision to return to the gold standard. The more speculation increases the higher the exchange rate will go, and the further away will be the time of returning to the gold standard. The Japanese nation has vindicated its ability to handle financial matters throughout the world for the last three years, and upon this conviction it will proceed slowly but steadily toward the goal of the gold standard." The Scandinavian countries have found that proceeding slowly toward the gold standard is more disastrous to business than a sudden resumption of gold payments. It will be interesting to see whether Japan has the same experience.

#### CHINESE TAXATION

Thomas F. Millard, who has been writing an interesting series of articles in the *New York Times* on conditions in China, devotes one of them to taxation. He begins with a comparison of the per capital federal taxes of other countries with China:

#### PER CAPITA FEDERAL TAXATION

|                     |          |
|---------------------|----------|
| Great Britain ..... | \$170.00 |
| France .....        | 90.00    |
| United States ..... | 120.00   |
| Belgium .....       | 30.00    |
| Japan .....         | 16.00    |
| Philippines .....   | 7.50     |
| Indo-China .....    | 5.50     |
| Siam .....          | 9.50     |
| Dutch Indies .....  | 15.00    |
| China .....         | 1.20     |

This, however, is only the amount of "legitimate" taxation in China, and Mr. Millard goes on to say that China has two kinds of taxation—legitimate and illegitimate. The illegitimate taxation is simply tribute paid to various mandarins and potentates. The Chinese do not expect to get anything back in government service for taxes paid. They merely expect to be left alone. Lately they are not even left alone. How this "taxation" works is illustrated in a letter from a missionary in central China, quoted by Mr. Millard:

"A fairly prosperous farmer received a visit from a yamen runner, who told him he must pay \$300 to the magistrate. The farmer protested and tried to evade the demand, but in the end he thought better of it and gave the money.

"Three days later a military officer arrived with a file of soldiers, and demanded \$500 for the general commanding the district. The farmer again protested and said that he did not have so much money; whereupon the soldiers left, taking with them one of the farmer's young sons. The next day the farmer managed to scrape the money together, and paid it, whereupon his son was restored to him.

"A few days after that some bandits appeared and demanded \$200. The

farmer sent word to the magistrate and to the general (both of whom had promised him protection if he met their demands) but got no help, and he had to buy off the bandits.

"That farmer has been stripped, and the people in this district have no protection from this kind of thing. As soon as they manage to accumulate anything it is taken from them. Conditions seem to get worse all the time."

#### FIGHTING HAMPERS BUSINESS

The operations of the militarists in China are making bad business conditions. Stocks of kerosene, tobacco, lumber, dyes, machinery, flour, canned food-stuffs are very low, and prices have advanced sharply, in some cases almost 100 per cent. The railroads are in very poor condition, due to undermaintenance, and in addition to that rail transportation from Peking has been suspended, making business virtually impossible. Permanent improvement in business must wait on the establishment of a stable government.

#### BUSINESS DEPRESSION IN SOUTH AMERICA

Almost all of the countries of South America seem to be suffering from depressed business, Argentina in particular. Export trade has fallen off in that country sharply, and the year ended with an import balance of trade of \$8,500,000 instead of the expected export balance of \$50,000,000. Exports continue unsatisfactory, and money is tighter at 6 to 8 per cent. The government is reported to be making strenuous efforts at economy to reduce taxes to encourage business.

In Chile the condition is much the same, but a gradual improvement is noticed, with the disappearance of the credit stringency. Conditions in Brazil are quiet, with some improvement in industry reported. Dullness is also reported in Uruguay and Paraguay, with severe depression in Peru. The fact that the seasonal rains have not arrived in Columbia is holding up business there, due to the impossibility of moving freight to the interior on the Magdalena

## ONE BANK COVERS THE LOS ANGELES METROPOLITAN DISTRICT



This circle with a radius of 20 miles embraces the Los Angeles Metropolitan District. The area shown in this circle covers the greatest per capita wealth, the most continuous prosperity and the most rapid growth in California.

STARS INDICATE BRANCHES OF

# SECURITY TRUST & SAVINGS BANK

Your patrons and friends visiting California will be extended every courtesy and consideration at any of these branches of the Security Bank if they bear a letter of introduction from you.

**RESOURCES EXCEED \$200,000,000  
OVER 285,000 DEPOSITORS  
CAPITAL & SURPLUS \$11,075,000**

Ask our Department of Research and Service for any desired information regarding business conditions in this region.



## To Trust Companies *and* Banks

we offer the complete service of our various departments and branches for the care of business or inquiries directed to us. Individual Checking Accounts of banking executives invited.

### UNITED STATES MORTGAGE & TRUST COMPANY

Capital, Surplus and Undivided Profits, \$7,500,000

Main Office: 55 Cedar Street

Broadway at 73rd Street  
125th St. at Eighth Ave.

Madison Avenue at 74th St.  
Lexington Avenue at 47th St.

New York

river. Ecuador seems to have received Colombia's share of rain, for severe floods are reported in the Oro Province. A rain of eighteen hours is reported, causing property damage of \$2,000,000 and loss of fifty lives.

#### THE CRISIS IN ECUADOR

A financial crisis is also troubling Ecuador, but the details are so meagre that the cause can only be surmised. These are the facts: a provisional president was declared by the military government and entered office on April 2. On April 12, newspaper reports were to the effect that the Banco Commercial y Agrícola, the Chimborazo Banking Society, and the Italian Bank, all of Guayaquil, had refused to honor checks of the Ministry of Finance, and were closed by the government and the managers sent to prison. The dispatch says that all the other banks "are paying de-

positors on demand" which may indicate that there were runs on the other banks.

Later it was reported that the managers of the banks had been released and Chimborazo Banking Society and the Italian Bank had reopened, while a subcommittee of shareholders of the Banco Commercial y Agrícola had been appointed to adjust the difficulty between the government and the bank. The report ends with the terse comment that "telegraphic censorship has been decreed." This accounts for the lack of detailed information.

The government is taking steps to see that such a crisis shall not occur again, if it is due to defects in the banking structure. Dr. E. W. Kemmerer of Princeton University, who has reorganized the banking systems of so many South American countries, and who has just returned from studying conditions in Poland, has been invited to act with a

commission of eight experts in reorganizing Ecuador's national finances. The commission is to begin work in October and continue for three months, after which it is reported that Bolivia will want Dr. Kemmerer to perform a like service.

#### RUNS ON CUBAN BANKS

On April 10 a run suddenly developed on the branches of the Royal Bank of Canada. There seems to be no very clear idea as to what caused the run. Low sugar prices have been prevailing in the West Indies for almost six months, resulting in dull business, but there was no sudden further decline to precipitate a run on the banks. The run is believed to have been caused by a false rumor circulated by a discharged employe of the Royal Bank that it had suspended payments. Another report says that the run was caused by fear of a general moratorium.

The alarm spread, and there were runs on branches of the National City Bank and other banks. Attempts were made to restore confidence by having President Machada deposit with great ostentation \$100,000 in the Havana branch of the Royal Bank of Canada, in full sight of the withdrawing depositors. Secretary of Public Works Cespedes in the same manner, deposited \$200,000 in the Banco del Comercio. This had a great deal to do with restoring confidence.

In the meantime money was rushed to Cuba from the Atlanta Federal Reserve Bank, the New Orleans Federal Reserve Bank, and from Jacksonville, the total aggregating, according to the reports, over \$40,000,000. This was shipped throughout the island, to meet withdrawals at any point. The Cuban Government also advanced about \$50,000,000 to the banks. The shipment of money to Cuba was reflected in the calling of about \$35,000,000 of loans in the New York market, causing a temporary rise in the call loan rate from  $4\frac{1}{2}$  to  $5\frac{1}{2}$  per cent.

By April 14, however, the whole panic seemed to have passed, and the runs were

over. But the underlying trouble, which is the unsatisfactory condition of the sugar industry, still remains, and will continue to be a problem for some time. It illustrates again the danger of a city or a section relying too much on one crop or one industry.

#### FAR EAST TRADE

Heavily stocked markets and seasonal fluctuations, combined with lower prices for some leading staples, tended to reduce the total February trade of the United States with the Far East by \$39,175,000 under January from \$226,083,000 to \$186,908,000, or 18 per cent. Compared with the \$132,884,000 total trade of February, 1925, however, there was a gain of \$54,024,000, or 43.8 per cent.

Both imports and exports shared in approximately the same proportion in the reduction. Preliminary returns show that our February sales to the Orient, footed up \$55,497,000, a drop of \$10,683,000, or 16 per cent. from the preceding month's figure of \$66,180,000, but an advance of \$13,582,000, or 32 per cent. over the \$41,915,000 exports in February of last year. Due largely to the drop in rubber prices our purchases from the Far East also slumped by \$27,492,000 from \$159,903,000 to \$131,411,000, or 17 per cent. But this was an actual increase of \$40,442,000, or 17 per cent. over imports for February, 1925, when they were valued at \$90,969,000.

Each of the important countries of the Far East reduced its takings of American products for February, from 2.5 per cent. in the case of India to 40 per cent. in that of the Dutch East Indies. The Philippines alone registered a drop in the export trade with the United States, compared with the same period last year, while Australia and India were the only important countries showing a corresponding decline in imports. In contrast with these losses, an interesting feature was the general advance in exports to the less important countries,

[Continued on page 772]

# The Chase National Bank of the City of New York

57 BROADWAY

Organized 1877

**T**HE consolidation of The Chase National Bank and the Mechanics and Metals National Bank became effective Monday, April 12th, 1926. All of the facilities of the consolidated institutions are under the supervision of experienced banking officials. The executive personnel is as follows:

**ALBERT H. WIGGIN**  
CHAIRMAN OF THE BOARD

**GATES W. MCGARRAH**  
CHAIRMAN OF THE EXECUTIVE COMMITTEE

**JOHN MCHUGH**  
PRESIDENT

**ROBERT L. CLARKSON**  
VICE-CHAIRMAN OF THE BOARD

VICE-PRESIDENTS

**SAMUEL H. MILLER**  
**CARL J. SCHMIDLAPP**  
**REEVE SCHLEY**  
**SHERRILL SMITH**  
**HENRY OLLESHEIMER**  
**ALFRED C. ANDREWS**  
**ROBERT I. BARR**

**GEORGE E. WARREN**  
**GEORGE D. GRAVES**  
**FRANK O. ROE**  
**HARRY H. POND**  
**SAMUEL S. CAMPBELL**  
**WILLIAM E. LAKE**  
**M. G. B. WHELPLEY**

VICE-PRESIDENT AND CASHIER  
**WILLIAM P. HOLLY**

SECOND VICE-PRESIDENTS

**ALEXANDER S. WEBB**  
**FREDERICK W. GEHLE**  
**GEORGE W. SIMMONS**  
**EDWIN A. LEE**  
**WILLIAM E. PURDY**  
**GEORGE H. SAYLOR**  
**M. HADDEN HOWELL**

**ALFRED W. HUDSON**  
**JAMES L. MILLER**  
**JOSEPH C. ROVENSKY**  
**BENJAMIN E. SMYTHE**  
**JOSEPH PULVERMACHER**  
**LEON H. JOHNSTON**  
**FRANKLIN H. GATES**

**ARTHUR M. AIKEN**

COMPTROLLER  
**THOMAS RITCHIE**



## BANKING PUBLICITY

**T**HE program of the one-day session of the Financial Advertisers' Association in Philadelphia on June 23, a part of the annual convention of the Advertising Clubs of the World to be held June 19 to 23 during Philadelphia's sesqui-centennial exposition, has been announced by H. Ennis Jones, of the Franklin Trust Company of Philadelphia, chairman of the program committee. One of the features of the session will be four round table luncheons on the advertising of four departments of the bank. The program follows:

9.30 a. m. Meeting called to order by H. Ennis Jones, assistant to the president Franklin Trust Company,

Philadelphia, chairman program committee.

9.35 a. m. Address of welcome by a Philadelphia banker.

9.50 a. m. Response by Carroll Ragan, advertising manager United States Mort-

to Your Bank's Advertising."

10.45 a. m. Charles R. Weirs, assistant vice-president National Shawmut Bank, Boston, Mass. Subject: "An Outsider's Viewpoint of Financial Advertising."

11.10 a. m. Francis H. Sisson, vice-president Guaranty Trust Company, New York City. Subject: "Selling Trust Service."

11.40 a. m. Clinton F. Berry, assistant vice-president Union Trust Company Detroit, Mich., second vice-president Financial Advertisers' Association. Subject: "Life Insurance Trusts."

12.10 p. m. Announcement by President Carroll Ragan.



H. ENNIS JONES

Assistant to president Franklin Trust Company of Philadelphia and chairman of program committee Philadelphia meeting of the Financial Advertisers' Association.

gage and Trust Company, New York City, president Financial Advertisers' Association.

10.00 a. m. T. H. Sewell, Ohio Savings Bank and Trust Company, Toledo, Ohio. Subject: "Are Banks Advertising Their Community, or, Should they?"

10.25 a. m. O. Howard Wolfe, assistant cashier Philadelphia Girard National Bank. Subject: "Living Up



CLINTON F. BERRY

Assistant vice-president Union Trust Company of Detroit and second vice-president of the F. A. A., who will address the Philadelphia session of that organization on the subject of "Life Insurance Trusts."



CARROLL RAGAN

Advertising manager United States Mortgage and Trust Company of New York and president of the F. A. A., who will preside over the Philadelphia meeting.

12.15 p. m. Adjournment.

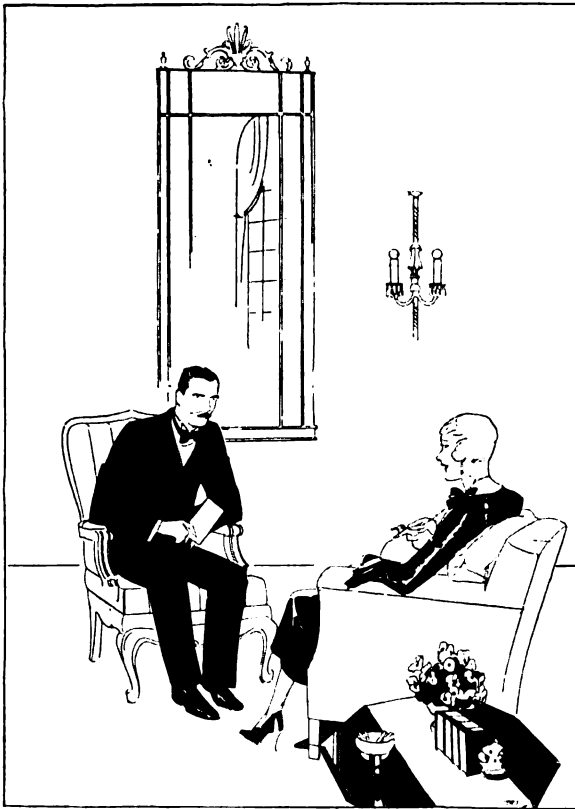
1.00 p. m. Luncheons: Savings department, C. H. Handerson, publicity manager Union Trust Company, Cleveland, Ohio; trust department, Paul Hardesty, assistant cashier, Union Trust Company, Chicago, Ill.; commercial department, G u y

Cooke, assistant cashier First National Bank, Chicago, Ill.; investment department, Edmond Boushelle, advertising manager A. B. Leach & Co., New York City, N. Y.

2.30 p. m. Historical tour of Philadelphia and Valley Forge leaving from headquarters hotel.

"THE Voluntary Trust" and "The Duties of an Executor" are the titles of two booklets recently published by the State Street Trust Company of Boston. The first of these booklets tells what the principle of the voluntary trust is, what it does, and how it is founded. The booklet then describes briefly several forms which the voluntary trust may take. The second of these two booklets tells what the executor must do, and the qualifications which he should possess for his duties. The closing paragraph reads: "The staff of the State Street Trust Company is trained to discharge the duties of an executor. It is composed of men picked and trained for this special task; men skilled in accounting and with the necessary knowledge of values; men of ample responsibility, thoroughly familiar with such work. When you have considered it, if you feel that you would like to talk with these officers before your executor is named, you will find them ready at all times to receive you."

THEODORE Tefft Weldon has resigned as advertising manager of the Northern Trust Company of Chicago to become first vice-president of the William Elliot Graves Company, creators of bank advertising materials and of plans for bank advertising campaigns. Mr. Weldon has been a frequent contributor



"But I tell you, Margaret, this stock will mean big money for you. Think of the children and their future."

"I am thinking of them, Tom, and so did dear George. That's why we get a comfortable insurance trust check every month from the **Cleveland Trust**. Companies sometimes pass dividends, but the check from the bank always comes on time."

Putting real art into financial advertising. This artistic black and white drawing in the above reproduction of a newspaper advertisement of a Cleveland bank marks a unique and striking departure from the usual form of art work in bank advertisements.

to THE BANKERS MAGAZINE for which he wrote during the year 1925 a series of five articles on the subject "A Complete Campaign for New Trust Business."

AS A MEANS of stimulating the interest of the bank's employes in keeping themselves informed regarding the various services of their institution, the First National Bank in St. Louis recently published in its monthly house organ for the bank's employes *The Buzzer* a number of questions frequently asked by bank customers. These questions read as follows:

1. Do you know what is meant by "getting new business?"

2. Do you realize that *old business kept is new business* all the time and a satisfied client is the best advertisement a bank can have?

3. Do you know that one must be identified to open a checking account?

4. Do you know that the party opening a savings account with a small initial deposit and making a regular deposit thereafter, proves to be a better customer than the one considered more fortunate who makes a larger deposit occasionally?

5. Do you know that you will be paid liberally if you induce your friends to open a savings account in your bank? Find out about it, see if it won't pay.

6. Do you know what it means to administer an es-



"Isn't the weather clearing up beautifully? Soon be time to shed furs"

"I've been meaning to ask—how do you keep your furs in such beautiful condition?"

"That's not hard. As soon as the weather warms up I put them in cold storage at the **Cleveland Trust** and promptly stop worrying about fires, moths, thieves and those other bogies"

Another illustration of the unusual black and white art work which the Cleveland Trust Company is using in its newspaper advertisements.

tate? If not, see an officer of the St. Louis Union Trust Company; he will be glad to inform you.

7. If someone you know is contemplating a trip to Europe, would you be able to explain the best methods for carrying funds on such a trip?

8. Are you aware that we have a safe deposit vault that

offers three different shapes of the \$5 boxes?

9. Do you know that by consulting our central file you may be able to find something through our *cross reference* that might be hard to locate otherwise?

10. Do you realize that we do practically all of our own multigraphing and 35 per cent. of our own printing?

LOOKING AHEAD FINANCIALLY

*The average business life falls into four normal periods*

## How age affects investment

**EACH** one of these periods has its own investment need, which should be borne in mind when purchasing securities.

During the *first period*, safety of the fund is all important. The first few thousands saved by a young man become the foundation of his financial future. To risk them is as foolhardy as it would be for a farmer to hazard his seed corn.

During the *second period*, activity in business enterprises which involves some risk is permissible, perhaps even desirable. As an offset, a substantial part of one's surplus should be kept invested in safe, marketable bonds. When resources grow, there are more opportunities for diversification, to help insure the safety of the whole investment structure.

In the *third period*, men begin to be more concerned about conserving what they have. Personal earning power faces a decline. Recuperation becomes

more difficult. Steady, assured income should be the investment objective.

The *fourth period* is one for the observance of strictest conservatism. The man who has retired with a competence has everything to lose and little to gain through speculative or risky investments.

Through all of these periods, the investor's greatest security lies in allying himself with a bond house which will solve his investment problems from the standpoint of his interest rather than its own—and with an intelligent understanding of his circumstances and requirements. It will be a constant help to him, always available to supplement his judgment and experience with its own broader background.

Halsey, Stuart & Co. aims to merit such a permanent and trustful relationship with its customers that it may serve them through a lifetime with sound investment guidance.

*May we submit a list of our offerings to conform with your stated requirements?*

### HALSEY, STUART & CO.

(INCORPORATED)

14 Wall Street, New York

CHICAGO    NEW YORK    PHILADELPHIA    INDIANAPOLIS    CLEVELAND  
ST. LOUIS    BOSTON    MILWAUKEE    MINNEAPOLIS

The investment banking firm of Halsey, Stuart & Co., has been making a real contribution to investment advertising through its successful efforts in newspaper and magazine advertisements to lift this class of advertising out of the rut into which it so frequently falls.

11. Do you realize that we carry an amount of stationery and supplies equal to a good many small stationery houses, and we use one ton of rubber bands a year?

12. How many banks in the United States are entitled to put the letters N. A. after their name, what do they stand for, and for what reason was this honor bestowed on them?

13. What investments would you recommend for a

widow who has been left \$25,000 and has no other source of income?

14. What bonds are exempt from property taxes in Missouri?

15. What is a "debenture bond?"—a "collateral trust bond?"—a "general mortgage bond?"

16. What is meant by "bond settling on a yield basis?"

17. What are guaranteed first mortgage participations?

18. What is an "advalorem tax bond?" What is a "benefit tax bond?"

19. If you deposit a check to your account which is not honored by the payee bank, what becomes of it?

20. Do you know what is meant by "working capital" and how you determine the working capital of any company?

THE Pennsylvania Trust Company of Pittsburgh, Pa., has recently installed in its four windows displays of the products of four of Pittsburgh's largest steel companies, and also displays of the products of Pittsburgh's leading glass manufacturers as a part of the bank's program of advertising Pittsburgh products. The Carnegie display showed various stages of the steel industry processes, as well as samples of polished steel. The Pittsburgh Steel Company had an interesting display which included some of the products of the company's subsidiaries. The Colonial Steel company's display attracted much attention because of the interesting detail it contained, while the Jones and Laughlin Steel Corporation's display had for a background an unusually striking painting of a blast furnace in operation. The Pittsburgh Plate Glass Company had a display showing twenty-two different materials, weighing 230 pounds, which are required to make one upper windshield for an

automobile. This display also contained samples of various other of the company's products. The Macbeth-Evans Glass Company had a very interesting display, while in another window the Standard Plate Glass Company displayed samples of its mirrors and its various paints and white leads. In still another window display the United States Glass Company had a display of its varieties of artistic glass-ware.

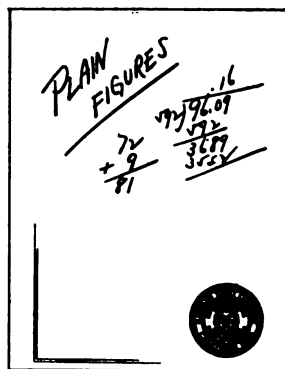
THE Harvard Trust Company of Cambridge, Mass., has published a unique four page folder entitled "Plain Figures" presenting figures on the cost of its "Investors' Service" which was organized as a new department somewhat over a year ago primarily for the purpose of rendering complete service to investors on all matters of

investment with special reference to inheritance, gift and estate taxation.

The folder referred to takes up the case of a typical account, opened with the trust company of December 10, 1924, in response to newspaper advertising. An original principal of \$72,535 with an annual income of \$4150 is shown to have grown by December 31, 1925, to \$81,650 with an annual income of \$4742. This increase of \$6559 in principal and \$592 in income contrasts with a service cost of but \$96.09.

Arthur M. Wright, treasurer of the Harvard Trust Company, says regarding the "Investors' Service" of the bank:


"The 'Investors' Service' of the Harvard Trust Company has shown itself to be not only of benefit to the bank's



Reduced facsimile of the cover of a unique four page folder published by the Harvard Trust Company of Cambridge, Mass. The folder itself gives figures on the cost of its "Investors' Service" in the case of a specific account, and shows the service rendered by that department of the bank.

clients, but has proved one of the most valuable and important departments of the bank.

"From the customers' standpoint, in order that they may feel free to use the bank's services without sense of obligation, a moderate annual fee is charged—\$50 for supervision of lists up to \$100,000 and \$25 for each additional \$100,000 or portion thereof. Following submission of a list of investments a complete report is submitted. If changes seem to advantage, sale or purchase is advised. Thereafter the bank's method insures a continuous checkover of the securities with the purpose of advising if further changes seem desirable. The customer has full consultation privilege in person, by mail, or by wire. Orders may be given for the purchase and



**The Promise—**  
As it was printed on November 17, 1924; one of our series of advertisements appearing in the Boston newspapers.

A depositor read and acted, opening just such an account on December 10, 1924.

**The Performance—**  
Is shown on the next page in plain figures.

| Value                                       |             |
|---|-------------|
| December 30, 1924                           |             |
| Stocks and bonds                            | \$72,535.00 |
| Yearly income                               | 4,150.00    |
| December 31, 1925                           |             |
| Stocks and bonds                            | \$81,650.00 |
| Income and expenses in 1925, net of balance | 4,742.00    |
| <b>Increase</b>                             |             |
| In principal                                | \$9,115.00  |
| In income                                   | 592.00      |
| <b>Total Cost</b>                           |             |
| To customer for this service                | \$96.09     |

Commissions were not credited on due date. Ownership conditions were filled out. Dividend checks deposited on time. Interest bonds forwarded for collection. Funds reinvested. Accurate record of income furnished.

**HARVARD TRUST COMPANY**  
INCORPORATED IN MASSACHUSETTS  
HARVARD SQUARE CENTRAL SQUARE BRIMMALL SQUARE  
CAMBRIDGE, MASSACHUSETTS

Reduced facsimile of the inside double-page spread of the booklet "Plain Figures" published by the Harvard Trust Company of Cambridge, Mass., in the interest of its "Investors' Service." The copy presents in comprehensive and readily understandable form figures on the cost, and service rendered, in the case of a typical safe-keeping account opened with the company in response to newspaper advertising.





## A Welcome Visitor in Every Home

Go any amount of homes and you will find the people there grow the more contented. They have given a large part of their money to the bank.

It was not so long ago that they looked upon the bank as a cold, unfeeling, unapproachable, impersonal institution. But now they have found out that the bank is a warm, friendly, helpful, and understanding visitor in every home.

The bank has been able to do this by working in the interests of the people. It has not been a selfish institution, but a helpful one. It has not been a cold, unfeeling, unapproachable, impersonal institution, but a warm, friendly, helpful, and understanding visitor in every home.

But how can the bank do this? It can do it by being a welcome visitor in every home.

and then the thing which is done here is done in the best way. It is done in the best way because the bank is a welcome visitor in every home.

The bank is a welcome visitor in every home because it is a warm, friendly, helpful, and understanding visitor in every home.

The bank is a welcome visitor in every home because it is a warm, friendly, helpful, and understanding visitor in every home.

The bank is a welcome visitor in every home because it is a warm, friendly, helpful, and understanding visitor in every home.

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### Union Trust Company

FIRST TRUST COMPANY IN DETROIT



Friend of the Family

A striking example of trust company co-operation with the life insurance companies. The above advertisement of a Detroit trust company was recently run full page size in Detroit newspapers and attracted complimentary comment from all directions.

sale of securities, mortgages or real estate, either for our execution directly, or through any broker or agent named. We will deliver or receive the securities or documents, protecting them from all risks in transit.

"All the above comes under the head of 'counsel on investment matters,' yet there is another angle of this service—a safe-keeping account in conjunction. If a customer is going away, or wishes to be relieved of de-

tail, we will make an arrangement to hold securities, keep account of all transactions, make out tax returns—in effect, act as a competent executive secretary. Just how this may be done to the customers' benefit may be clearly seen from reading the bank's folder 'Plain Figures' on its service to investors.

"From the bank's standpoint, it is the duty of this department to accept the responsibility of handling the investments of its own com-

mercial banking, savings and trust funds. Further than this its scope is extended to checking collateral value of securities offered to the loan departments of its three offices.

"The bank can say in answer to the question, 'How much business has this department actually created?' that during 1925 it brought in more than \$1,800,000 to the safe-keeping or agency accounts and nearly \$6,000,000 stock and bond purchases and sales. Through the close contact of the bank's officers with customers many trusts were created, invariably at the suggestion of the customers themselves."

HARRY E. Martin has resigned as publicity manager of the Guardian Trust Company of Cleveland to become vice-president and editor of Retail Trade Publications, Inc., publishers of store operation and variety goods magazines. Mr. Martin has been in publicity and advertising work for the last ten years and has been a frequent contributor to business and financial magazines.

DEPOSITORS of the Webster and Atlas National Bank of Boston recently received a letter signed by R. B. Cox, president of the bank, reading as follows:

"To the depositors of the Webster and Atlas National Bank.

"My Dear Friends:

"I would like to appoint an advisory committee of the bank which would include every one of our depositors, for I need the advice and co-operation of each one. Every institution should endeavor to learn how the public regards its standing, operations, and policies. With a bank this, of course, can be secured best from the depositors.

"The fundamental policy of the bank today is not to develop a big bank, but to maintain in the community a strong and well-managed bank of moderate size but highly specialized service that will particularly appeal to those depositors who prefer to deal with a bank of that size and character, and who believe they can be better served by such a bank than by one of larger proportions.

"We think we have as highly trained an organization as there is in Boston. We maintain that in a bank of this size the senior officers, as well as the junior officers and employes, can give each customer more individual thought than he might receive in a very large bank. We know that we are all inspired with an earnest desire to meet each customer is a dignified yet sincere and co-operative spirit.

"As I stated before, we do not aspire to be a big bank, but every institution must show a normal growth, or stagnation sets in. One of our

greatest problems is not in getting new accounts, but in getting them from the right class of people. We are proud of our clientele, which we consider the highest grade in this vicinity, and we want our new customers to be of the same character. Undoubtedly the best way to get depositors of the same standards as yourself is to get them among your personal friends and associates, and

the best way to know who they are is to ask you to suggest them.

"If you feel that we are rendering a clerical and teller's service which is satisfactory; if we are handling our loan applications in a broad-minded, constructive and pleasant way; and if you agree that a bank of this size and character is a distinct asset to the community, will you not, during the coming



### WILL YOUR WIFE, TOO, HAVE THIS ADDED PROTECTION?

The creation of a life insurance fund is the duty of every man, but it is just as much a duty for him to take every precaution to provide for the conservation of this fund, so insure its being used to do the things for which it was secured.

Every man who carries life insurance has a feeling of security in the thought that in the event of his death a goodly sum of money will be turned over to his wife for her support and for the care and education of his children.

But many men have often been worried by the thought of what might happen to that money when it is thus turned over.

Taking care of money requires experience. In this age of speculation, of tax intricacies and other problems, a lack of experience often leads to disastrous results.

Far-sighted men have eliminated this source of worry. While certain types of estate conservation can be handled by life insurance companies through carefully prepared settlement options, there are other types of settlement which may be arranged by appointing a reputable

trust company to administer the insurance funds.

A competent, reliable trust company is well equipped to handle such insurance funds. It has experience, it has knowledge, it has responsibility, and practically perpetual life.

Whether the amount of your insurance is large or small, a trust company will arrange to pay your family a regular income from the available funds. It will take care of taxes and make safe investments.

Men of wisdom, men who have seen the unwise dissipation of insurance money in the cases of others, are everywhere adopting some method of insurance conservation. It gives them an added sense of security.

Why not look into this matter thoroughly right now? Any reliable trust company will explain their method in complete detail. And any Phoenix Mutual representative will be glad to help you by co-operating with trust company officials. Telephone him or write direct to us.

## PHOENIX MUTUAL LIFE INSURANCE COMPANY

HOME OFFICE



HARTFORD CONN.

First policy issued 1861

Reproduction of an advertisement recently published by a prominent life insurance company in the *American Magazine* and the *Literary Digest* pointing out the value and advantages of trust company administration as a means of protecting and conserving funds paid to beneficiaries.



**THERE** are many reasons  
for having a will—and no  
excuse for not having one

*Advantages of appointing the Chemical Bank as  
Executor and Trustee*

1. Continuous Existence and Continuous Attention.
2. Familiarity with the Work and Ability to Carry It Out.
3. Responsibility.
4. Impartiality.
5. Our fees are No More than those of an individual. The compensation of all executors is fixed by law.

**THE  
CHEMICAL  
NATIONAL  
BANK  
OF NEW YORK**

BROADWAY AND CHAMBERS, FACTING CITY HALL  
MADISON AVENUE AT FORTY-SIXTH STREET  
FIFTH AVENUE AT TWENTY-NINTH STREET

The copy of this well constructed advertisement of a New York bank on the subject of making a will and the advantages of choosing the bank as executor and trustee, is compact, concise and very much to the point.

year, consider yourself one of the advisory committee and give us freely of your advice as to how we can improve or correct our detail service, increase our usefulness in the community, and

keep up the standards of our clientele by sending your friends to the bank or by suggesting to us persons whose business you think we might advisedly solicit?

“Sincerely appreciating

your co-operation, I am,  
“Very truly yours,  
R. B. Cox,  
President.”

“INDUSTRIAL Milwaukee” is the title of a booklet published by the commercial service department of the First Wisconsin National Bank of Milwaukee, Wis., reviewing the industrial activities of Milwaukee for the year 1925. This booklet is the fifth of a series of booklets on the same subject which the bank publishes annually. The current edition includes a number of comprehensive tables and charts.

Two playlets illustrating various phases of trust company and trust department service which were presented at the seventh mid-winter trust company conference in New York in February have been issued in booklet form by the Trust Company Division of the American Bankers Association. One is entitled “The Widow’s Inheritance” and shows the advantage to widows and others who are acting for the living and the dead of transferring the management of their affairs to a trust company. The other playlet entitled “Protecting the Estate” is designed to show that the insurance underwriter of today is working along similar lines with the trust officer and that both are co-operating to protect and conserve estates.

THE Corn Exchange Nation-

al Bank of Philadelphia recently published an unusual newspaper advertisement in Philadelphia papers, signed by Charles S. Calwell, president of the bank. The advertisement is headed "The Corn Exchange is more than merely a big bank. Its every day transactions cover the widest field of banking service." The copy under the caption gives a compact and well worded picture of the activities and services of a big commercial bank.

"TRADE Winds" the monthly magazine of the Union Trust Company of Cleveland has had a number of very striking cover designs in colors. The bank struck off a number of engravers' proofs of some of its recent covers devoid of all printed matter and suitable for framing or decorative use, and offered to send out these proofs with its compliments to those applying for one of them. This offer met with a wide and favorable response.

"AND I lost that Money Through Pure Carelessness" is the title of a four page folder published by the Equitable Trust Company of New York, illustrating losses which investors commonly suffer through carelessness and lack of competent supervision of their securities.

"THOMAS Fisher" the seventh of the "Romantic Fortunes of History" series of booklets

## WHO'S WHO IN BANK ADVERTISING



CARL M. SPENCER

President Home Savings Bank, Boston, Mass.

**M**R. SPENCER has been with the Home Savings Bank of Boston for twenty-one years, having risen by successive steps from junior clerk to president. The bank, which is one of the largest mutual savings banks of New England, has been a consistent user of publicity, particularly newspaper advertising, for the last fifteen years. It was one of the pioneers in this respect for banks of its type. Upon election as president of the Home Savings three years ago, Mr. Spencer decided to continue to give the publicity and new business department of the bank his personal attention, and he prepares most of the copy for newspaper and direct mail advertising used by the bank. He points to a Vacation Club of nearly 7000 members as one of the departments which has shown good response to vigorous methods. Mr. Spencer has been active in the affairs of the American Institute of Banking and has been frequently called upon to lecture upon financial advertising and other banking subjects in its study courses. In 1924, he presided over the savings conference at the national convention of the Institute in Baltimore. He has been president of the Bank Officers' Association of Boston, and is a member of active committees of the Savings Division of the American Bankers Association, the Massachusetts Bankers Association, and of the state and national associations of mutual savings banks.

issued by the Bank of America, New York, has recently been published.

THE Continental and Commercial Banks, Chicago, have appointed Edwin Bird Wilson, Inc., New York, advertising counsel and agent for their local as well as national advertising.

"MODERN Farming" is the title of a very useful and

informative monthly magazine published by the Hanover National Bank of Ashland, Va., and devoted to the farming interests of the bank's community. This bank also publishes a "Farmers Handy Record Book" which will enable the farmer to keep a complete and comprehensive record of his operations. Methods of procedure to be followed are very carefully and understandably ex-

plained and reduced facsimile illustrations of a number of sample pages, completely filled out, are given. Over 150 of the bank's farmer customers were moved to use of this book in keeping their records during the year 1925.

THE Corn Exchange Bank of New York publishes a folder in colors entitled "Friendships." The copy of the folder reads:

"There come times in the lives of men and women when the friendship of a good, strong bank is of incalculable value. Friendships that endure are not built up in a day. They come only through acquaintance—through the knowledge of a man's character, ability and trustworthiness.

"We believe it to be sound business on the part of every man and woman to build up and maintain a good bank account over a period of years with some strong banking institution.

"Thus both banker and depositor will have the opportunity of getting well acquainted through many business transactions during this period of association.

"Such a connection with our bank may prove to be to you some day—a priceless asset."

"THE Way to Wealth" is the title of a booklet published by the savings fund department of the Fidelity Trust Company of Philadel-

THE ONLY SAVINGS BANK IN NEW YORK CITY  
PAYING INTEREST ON MONTHLY BALANCES

## Act today—if you Want your Money to Grow Faster

**T**HE first three days of the month are very important days for you at the Emigrant Bank.

You receive interest for the full month of December on whatever you deposit before closing hour on Dec. 3rd—and the same plan holds true every month of the year in this bank.

Note that this is the only savings bank in the city where this does hold true. A few other banks credit interest every month, but they will not pay it to you

if by any chance you make a withdrawal before the next quarterly or semi-annual interest date.

That is why the Emigrant—and the Emigrant only—can say that under its plan you never lose a calendar month's interest.

That is one reason why we are the largest savings bank in America. We believe in making our depositors' money work for them and grow—every single month of the year.

*Don't forget to start that account today. It will make Christmas merrier and your home safer.*

51 Chambers St.
43d St. & Lexington Ave.

# EMIGRANT INDUSTRIAL SAVINGS BANK

AMERICA'S LARGEST SAVINGS BANK

This advertisement of America's largest savings bank starts out with the urge to immediate action and follows this appeal up with some very practical and persuasive reason-why copy.

phia. The booklet is a reprint of the preface to an old Pennsylvania almanac entitled "Poor Richard Improved."

THE Newark and Essex Banking Company of Newark, N. J., publishes an ingeniously arranged combination statement giving the bank's financial condition and a condensed review of the various services which the bank offers.

A BOOKLET entitled "\$1000 in Five Years" explaining an easy payment savings plan put into effect by the bank, has recently been published by the Indiana Trust Company of South Bend, Ind.

THE First National Bank of Boston has recently published a very unique folder in colors containing some unusually good copy on the subject of a "Traveling Bank Account." The copy reads as follows:

"Those accustomed to foreign travel recognize the truth of the adage, 'The less luggage the more pleasure.' Of no item is it truer than in the matter of money.

"If you carry actual currency, you run the serious risk of loss besides the inconvenience of changing your money as you move to each new country.

"If you rely on your own checking account, you will find it impossible to cash checks abroad without personal identification.



## What is Your REPUTATION?

**G**EOGE WASHINGTON gave what is probably the best definition of "reputation." He said it was what others thought of us.

People everywhere think well of the man who has a savings account. Such a man's reputation is good wherever he goes. For everyone knows that he is financially sound and that the fact that he can save denotes character.

You will be proud of your savings account and you will be doubly proud if your bank is the Bank for Savings — a bank that is one of the oldest and largest in all the United States.

**OF INTEREST TO  
OUR 127,553 DEPOSITORS**

The Bank for Savings takes pleasure in announcing that a **QUARTERLY DIVIDEND** at the rate of

**FOUR PER CENT**

per annum has been declared to depositors for the quarter ending December 31st, 1925, payable on and after January 15th, 1926. Deposits made on or before January 9th will draw interest from January 1st, 1926

## The BANK for SAVINGS

par value, surplus and undivided profits \$24,860,000.00

280 Fourth Avenue, S. W. Corner of 22nd Street  
**106 YEARS OF CONSTANT GROWTH**



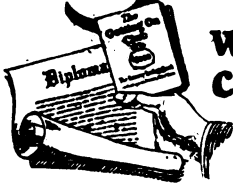
The above advertisement of the oldest savings bank in New York stresses the "reputation" value of a savings account and ties this approach up very effectively with the long standing reputation of the bank itself. Careful attention has been paid to layout and typography which are well in keeping with the copy.

"There is, however, a perfectly safe and convenient way of carrying your money — the First National Travelers' Letter of Credit. With this letter you can draw

funds as you need them. It is virtually a traveling bank account which places at your service 18,000 banks all over the world.

"And in addition a First

**50,000 boys  
in New York City  
want to go to  
college but  
their parents havent the  
money to send them**



**THE** first step in sending a boy to college is to decide on the college; then find out the cost and plan to save the money.

Most of us could not write a check today for our son's college education. But we could save enough in the next few years if we went at it in a systematic way.

The time to begin planning your boy's education is when you begin to save the money.

Come in and talk over your boy's future. Bring the boy along.

We will be glad to assist you in looking up the colleges and help you work out a plan for saving the money. Send for our booklet, "Save by Plan."

*P. S.—Whether you are a depositor or not makes no difference.*

**BOWERY SAVINGS BANK**

130 BOWERY                      110 EAST 42nd ST.

*Devoted to the service of our citizens*

A seasonable and unusually well presented advertisement of the Bowery Savings Bank of New York. This advertisement is typical of the high standard which this bank has set in its savings advertising for the last few years.

National Letter of Credit is your personal letter of introduction to the leading bankers of the world. It is indispensable on a business trip.

"There will be times on your trip when you will want small sums after banking hours. For these needs we recommend the use of First National Travelers' Cheques. They offer a safe and handy means of carrying small sums. They take the place of cash in stores, hotels, railroads, or aboard ship, whether you are at home or abroad."

"How to Read a Bank Statement" is the title of a booklet published by the Fidelity Trust Company of Philadelphia. The copy gives a very understandable explanation of the meaning and significance of the various items in the bank balance sheet.

"The Romance of the Bank Historical" is the title of a very presentable booklet giving the history of the Bank of Pittsburgh, N. A. The copy of the booklet is a reprint of a radio talk by Alex Dunbar, vice-president and cashier of the bank.

## BANK ADVERTISING EXCHANGE

IN connection with BANKING PUBLICITY there is conducted a Bank Advertising Exchange, containing a list of names of bank advertisers willing to exchange advertisements, booklets and other publicity matter issued by them. Any subscriber who will agree to exchange advertising matter may be added to this list. A copy of this list may be had by any subscriber upon application.



## *Your Private Office in Cleveland*

**I**F YOU had your own special representative in Cleveland there are few things he could do for you which the Union Trust does not stand ready and willing to do for its customers—and probably at a saving of time and money to them.

**The UNION TRUST Co.**

CLEVELAND, OHIO

***Resources over 300 millions***

SINCE '61 A BANK FOR BANKERS



## THE FINANCIAL AND ECONOMIC SITUATION ABROAD

[Continued on page 757]

compared with both the preceding month and last year.

### JAPAN AND CHINA

During February, the United States sold Japan more refined petroleum, machinery and iron and steel mill products, but less raw cotton than the month previous, thereby reducing its share in the total exports by \$4,491,000, or 19 per cent. in the decline from \$23,425,000 to \$18,934,000. This amount was, however, an increase of \$3,132,000 over the \$15,802,000 of last year, or 19 per cent. As the result of a sharp seasonal decline in our purchases of raw silk, imports from Japan fell off by \$6,250,000, from \$40,427,000 to \$33,177,000, a drop of 15 per cent.

China bought more refined petroleum, but less iron and steel mill products tobacco, cigarettes and raw cotton, and thus cut her share in our export trade from \$12,151,000 to \$10,561,000 (including \$920,000 for Hongkong and \$255,000 for Kwantung) a decline of \$1,590,000, or 15 per cent., but exceeded the \$7,082,000 exports for February, 1925, by \$3,479,000, or 48 per cent. In contrast with the general decline in imports, China sold us more raw silk, wood oil, furs and other staple products than the month previous, and raised its share in our imports from \$10,785,000 to \$15,373,000, a jump of \$4,588,000, or 43 per cent. Hongkong's share in the imports amounted to \$1,413,000 and Kwantung's to \$544,000.

A considerable loss in our sales of iron and steel products to India slightly more than offset increased sales of dyes, machinery, automobiles and general merchandise during February, thus reducing the total exports to that country by 2.5 per cent. on \$91,000, from \$3,715,000 to \$3,624,000. The February exports to

India were practically double those for the corresponding month in 1925. During February, 1926, the United States purchased less raw jute, burlap, castor beans and shellac from India and reduced its imports from \$17,795,000 to \$13,542,000, a slump of \$4,253,000, or 32 per cent.

### THE PHILIPPINES

The United States exported more cotton cloth to the Philippines than the preceding month, but less petroleum, flour, machinery, canned goods and iron and steel mill products, which reduced the total exports to that country from \$6,661,000 to \$4,469,000, by \$2,092,000, or 32 per cent. Imports of sugar from the Philippines increased, but lower sugar prices, coupled with lighter exports of cocoanut products, resulted in a drop of \$296,000, or 3.5 per cent. in the total imports of Philippine products, amounting to \$8,111,000 as compared with \$8,407,000 the month previous.

Australasia as a whole contributed \$5,723,000 to our import trade during February and absorbed in return \$33,462,000 of our exports. Australia bought more automobiles and trucks, thus continuing to lead in the world markets for American automotive products. Moreover, its purchases of cigarettes and manufactured tobacco also increased, while takings of iron and steel mill products, machinery and leaf tobacco slumped, reducing her total imports by \$1,833,000, from \$12,857,000 to \$11,024,000, or 14 per cent. Imports from Australia also dropped from \$5,747,000 to \$4,595,000, a loss of \$1,152,000, or 20 per cent. Exports to New Zealand, amounting to \$3,118,000 were \$245,000, or 7 per cent., less than for January, when they totaled \$3,363,000. Return imports also dropped by \$114,000, from \$1,923,000 to \$809,000, or 6 per cent.



## WHAT BANKS AND BANKERS ARE DOING

**E**DWARD Townsend, chairman of the advisory committee of the Importers and Traders' office of the Equitable Trust Company, New York, retired on April 14, after sixty years in banking at one location. He entered the old Importers and Traders' bank on April 14, 1866 as a junior clerk. After he had been with the bank a year he was made head correspondence clerk, and for six years answered every letter of the bank. In 1873 he became an assistant cashier, and in 1880 cashier, serving thus as executive officer of the bank until 1902, when he was made president. He voluntarily retired to the chairmanship of the board in 1916, being succeeded as president by H. H. Powell. When the Equitable Trust Company absorbed the Importers and Traders' in 1923, he was appointed chairman of the advisory committee for that office. When asked to what he attributed his success, he replied that it was due to good health and joy in his work.

**WALLACE M. MONTGOMERY** has been appointed representative of the Equitable Trust Company, New York, in the Southeast, with office at Atlanta, Ga. His territory will include Georgia, Florida, Alabama, and South Carolina. Mr. Montgomery was formerly assistant credit manager, and later special new business representative of the Citizens and Southern Bank, Atlanta.

**JOSEPH W. WARD** has resigned as vice-president of the Bank of Pittsburgh, N. A., Pittsburgh, Pa., to become president of the Republic Casualty Company of Pittsburgh. He began banking twenty years ago as a messenger in the Peoples National Bank of Pittsburgh. He was granted a leave of absence to work his

way through W. & J. College, graduating in 1908. He subsequently became a vice-president of the Peoples National, and later vice-president of the First National Bank at Pittsburgh when it absorbed the Peoples National.

**NELSON A. MERSEREAU** has been made an assistant secretary of the American Trust Company, New York, and will be associated with W. F. Mulledy, assistant secretary, in the management of the company's new Staten Island office. Mr. Mersereau has been in charge of the Staten Island office of the New York Title and Mortgage Company, New York (which company is affiliated with the American Trust) since its organization.



UNDERWOOD & UNDERWOOD

EDWARD TOWNSEND

Chairman of the advisory committee of the Importers and Traders' office Equitable Trust Company, New York, who has retired after sixty years in banking

### THIRTY MILLION DOLLAR TITLE COMPANY FORMED

THE New York Title and Mortgage Company, New York, has arranged plans for merging with it the United States Title Guaranty Company, New York, the resulting institution being the largest company of its kind in the world, with



HARRY A. KAHLER

President of the New York Title and Mortgage Company, New York, which, by merging with it the United States Title Guaranty Company recently formed the largest company of its kind in the world, with capital funds of around \$30,000,000.

capital, surplus, and undivided profits of about \$30,000,000. The merger plan, which has been approved by the directors of both companies, provides for the exchange of three shares of stock of the United States Title Guaranty Company stock for two shares of New York Title and Mortgage Company stock. To do this, the capital of the New York Title and Mortgage Company will be increased \$2,000,000 by the issue of 20,000 additional shares, 13,333-1/3 shares

to the present stockholders of the United States Title Guaranty Company in exchange for their stock, and the most of the balance as a 5 per cent. stock dividend to the holders of New York Title and Mortgage Company stock, including the new holders who exchanged United States Title stock for New York Title stock. This increase and the absorption of the assets of the United States Title Guaranty Company will increase the capital of the United States Title and Mortgage Company to \$12,000,000 and surplus and undivided profits to about \$18,000,000.

It is reported that all the officers and employes of both companies will be retained in the merger.

The New York Title and Mortgage Company has, in addition to its main office in downtown New York, branches in the Grand Central Zone, in the Bronx, in White Plains, in New

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## *The* CITY NATIONAL BANK OF MIAMI

Capital  
\$1,000,000

Surplus  
\$250,000

Bedford Building  
129 N. E. First Street

# Kings County Trust Company

City of New York, Borough of Brooklyn

Capital \$500,000 Surplus \$4,000,000 Undivided Profits \$794,000

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**JULIAN D. FAIRCHILD, Vice-President**  
**WILLIAM J. WASON, JR., Vice-President**  
**HOWARD D. JOOST, Vice-President**  
**J. NORMAN CARPENTER, Vice-President**

**THOMAS BLAKE, Secretary**  
**ALBERT I. TABOR, Assistant Secretary**  
**CLARENCE E. TOBIAS, Assistant Secretary**  
**ALBERT E. ECKERSON Auditor**

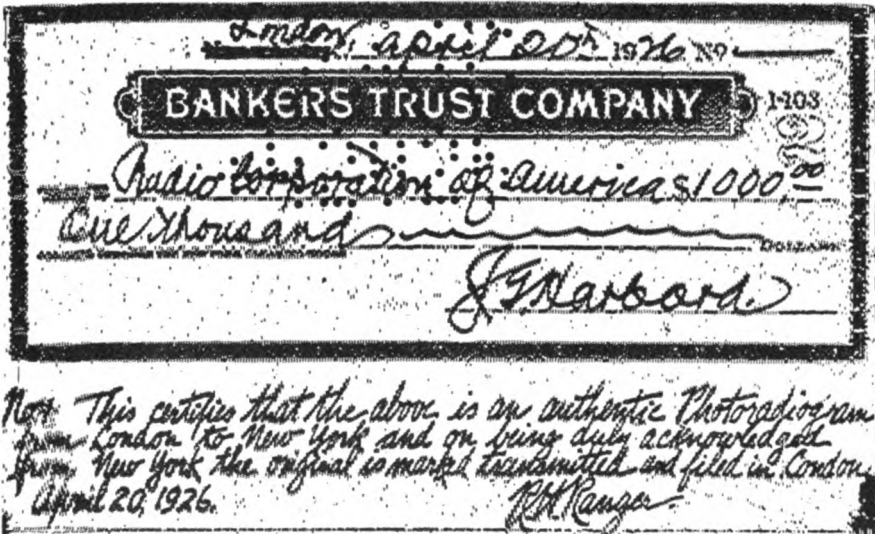
ACCOUNTS INVITED

INTEREST ALLOWED ON DEPOSITS

Rochelle, in Staten Island, in Brooklyn, and in Jamaica. The main office of the United States Title and Guaranty Company is in Brooklyn, and it has branches in Jamaica and Mineola, and a title plant for Suffolk county. The new offices will, therefore, consolidate the efforts of the two companies in Brooklyn and Jamaica,

and will strengthen the office at Mineola. It is also proposed to open an office at Riverhead. With the offices of the United States Title Guaranty Company, the New York Title and Mortgage Company will pretty thoroughly cover Greater New York.

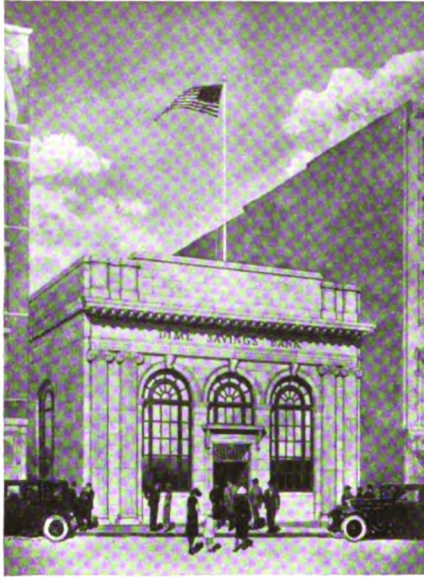
A few days after the announcement



● RADIO CORPORATION OF AMERICA

The first check to be transmitted by wireless—sent from London to New York on April 20, 1926. Gen. J. G. Harbord, whose check was transmitted, is a director of the Bankers Trust Company, New York, and president of the Radio Corporation of America. The check was transmitted in twenty minutes, and was immediately presented at the Bankers Trust Company and paid without question. No figures of the cost of transmission are given. If it is cheaper than the usual cable transfer of funds, it may be expected to be used extensively in the international transfer of funds. It will be very useful in international offerings of bonds, in making available on both sides of the

Atlantic facsimiles of documents.



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The bank will be equipped with an imported marble counter, bronze screen, mahogany furniture.

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of this plan opposition to the merger developed, a group of suburban stockholders contending that the terms are unfair, and that the exchange of the stock of the New York Title and Mortgage Company for that of the United States Title Guaranty Company should be share for share instead of two shares for three. At the meetings of the stockholders on April 22, however, the merger was ratified by a considerable majority.

### THE FEDERAL RESERVE AS A PRICE STABILIZING AGENCY

THE impression that the Federal Reserve System is a panacea for all the social ills of the nation will not down. It is blamed for most of our economic disturbances; and attempts are made to use it to increase the purchasing power of the farmer, to revive business from a depression, to make money cheap, and to curb speculation. All of these are admirable aims, and the Federal Reserve System may aid in their accomplishment, but its primary job is banking.

Forgetting the real purpose of the Federal Reserve System, Hon. James G. Strong of Kansas has introduced a bill (H. R. 785) to amend Section 14 paragraph (d) of the Federal Reserve Act, which now reads: "Every Federal Reserve Bank shall have power \* \* \* (d) to establish from time to time, subject to review and determination of the Federal Reserve Board, rates of discount to be charged by the Federal Reserve Bank for each class of paper, which shall be fixed with a view of accommodating commerce and business." Mr. Strong would amend the act by striking out the words "and business" and inserting in place of them, "and promoting a stable price level for commodities in general," and adding the following sentence "All the powers of the Federal Reserve System shall be used for promoting stability in the price level."

Few will deny that stability of prices is to be desired. One of the greatest evils of the present economic system is

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the wide fluctuation of prices, causing fortuitous profits which are not earned, and losses which are not deserved. It would be a great step forward if some method could be devised to stabilize prices. The economists are giving much attention to the problem, and will doubtless eventually solve it. Professor Fisher has already worked out a plan, which may some time be adopted.

But the Federal Reserve System has other work to do. It was organized, according to the act (and this cannot be too often reiterated) "to furnish an elastic currency, to afford means of rediscounting commercial paper, to establish a more effective supervision of banking in the United States, and for other purposes." Setting aside for the moment the conflict which might arise between these aims and the stabilization of prices, it will be readily granted that the difficulties which the system has encountered in its effort to carry out the above aims have kept the Federal Reserve Board busy. There is still much to be done to bring the rest of the banks in the country into the system, to make par clearing universal, to establish a real discount market—enough to occupy the attention of the board for some years.

And if the stabilization of prices were to be attempted via the discount rate, as suggested by Mr. Strong's bill, it is likely that this would conflict with the system's other duty of providing an elastic currency. For when trade is active and

prices are rising, more currency is needed. At this time, it would be the duty of the board to furnish more. Yet its duty in stabilizing prices would clearly be to restrict the issue of currency in order to check the rise of prices.

While it thus seems quite evident that this is not a proper way to stabilize

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prices, the bill is receiving a good deal of attention in Washington. Many prominent economists and bankers have testified at the hearings. When, as and if it gets before the House proper, however, will be time enough to be alarmed, if it seems likely to pass.

### NATIONAL CITY NOW ONLY "BILLION DOLLAR" BANK

At the time of the announcement of the merger of the Mechanics and Metals National Bank with the Chase National Bank, New York, the comment was made that this would create another "billion dollar" bank, the National City Bank standing alone in this category up to that time. Due, however, to a decrease in deposits of \$104,317,000 since that time, the first statement of the new Chase National shows assets of only \$918,915,628, which leaves the National City still

standing alone with assets of over a billion dollars.

This decrease in deposits was not peculiar to the Chase National. It is part of a general decrease throughout New York City. National City's deposits decreased during the same period \$125,638,984; National Bank of Commerce decreased \$126,320,000; First National decreased \$33,320,000; Seaboard National decreased \$44,731,000; and the National Park decreased \$17,283,000.

The decrease is due, it is thought, to the heavy liquidation on the stock market and the consequent decrease in brokers' deposits. Newspaper comment attributed the decline to seasonal influences, in spite of the well known fact that in the first quarter of the year, money almost invariably flows to New York (having been released from crop moving) instead of away from New York.

### GOLDEN ANNIVERSARY OF FIRST TITLE COMPANY

THE Sesqui-Centennial year of 1926 will also commemorate in Philadelphia the organization of the first company in the world for the purpose of "insuring owners of real estate and mortgages, and others interested in real estate, against loss by reason of defective titles, liens, and encumbrances"—the Real Estate

## ATTORNEY

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## 50 Years of Meat

Fifty years of the meat industry, and the part Swift & Company has played in it, are outlined in an interesting way in the

### Semi-Centenary Number of Swift & Company's Year Book

The story of the world's greatest live-stock industry is a story of Romance, of Science, and of Progress. The trek of vast herds of cattle—the "cow towns"—dramatic frontier days—all have a part in this history of vast development.

An interesting account is also given of—

### Public Benefits Resulting from Cold Storage.

### How the Breeding of Quality Cattle Has Been Helped By Modern Packing Methods.

### Government Recognition of Keen Competition in the Packing Industry.

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Title Insurance and Trust Company of Philadelphia.

It was the Centennial Exhibition in 1876 that caused the condition resulting in the establishment of the company. Large tracts of land were being divided into lots and sold, and the work of investigating titles, carried on by lawyers, conveyancers and brokers was so unsatisfactory that the legislature passed an act providing for the formation of corporations for title insurance.

Two years later, on March 28, 1876, the Real Estate Title Insurance Company was incorporated. It was at that time essentially a co-operative association of conveyancers. Like all new organizations it took some time for it to get started. The first policy was not issued until June 24, 1876. It insured Martha Morris, who owned a property on the west side of Forty-third street for \$1500. During the whole year 1876, only nine policies were issued. From that small

start the business has grown until to date the company has issued over 400,000 policies.

The company was originally located at 108 South Fourth street, from which it moved to 1001 Chestnut street. In 1895, it erected its own building at 523 Chestnut street, and one year later moved its main office to 517 Chestnut street. It now has an uptown office in the Packard building.

The first president of the company was Joshua H. Morris. Craig D. Ritchie, the first vice-president, who later became president, in the early days personally wrote out, by hand, every search, settlement, certificate and policy of the company. That work now takes 270 clerks.

In 1881 the name of the company was changed to its present form of the Real Estate Title Insurance and Trust Company. The company now has capital of \$2,000,000 and surplus of \$3,500,000. The present officers are: Francis A



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Lewis, president; Daniel Houseman, vice-president and treasurer; A. King Dickson, vice-president and trust officer; LeFever W. Downing, secretary and assistant treasurer; Oakley Cowdrick, vice-president and manager title department; Edward E. Paxson, vice-president and real estate officer; and S. Eugene Kuen, title officer.

### CITIZENS AND SOUTHERN EXPANDS

THE Citizens and Southern Bank of Georgia, with head office at Savannah, Ga., and branches at Atlanta, Athens, Augusta, and Macon, has absorbed the Merchants Bank of Valdosta, Ga. This gives the Citizens and Southern, which is the largest financial institution between Philadelphia and New Orleans, offices in six cities in Georgia; and gives Valdosta banking facilities which no other town of its size in the United States can boast

—a bank with resources of over \$70,000,000.

No changes will be made in the personnel of the Merchants Bank. H. Y. Tillman, its president will remain as executive vice-president and manager, and all the other officers will retain their positions.

It must be a source of pride to Mills B. Lane, president of the Citizens and Southern, to have a share once more in the management of the bank in which he received his early training. The Merchants Bank was started by his father, R. Y. Lane, and Mills was its first cashier. Edward W. Lane, his brother (now president of the Atlantic National Bank of Jacksonville, Fla.) also received his early training in the Merchants Bank.

The two Lane brothers, Mr. Tillman, A. Fleming Winn, and E. P. S. Denmark are the directors of the new Valdosta office of the Citizens and Southern.

### RESEARCH IN SAVINGS PROBLEMS

A BUREAU of Savings Research has been organized "to study the development of savings and the current problems of savings banking, as faced by both the savings bank and the savings department." One of the problems mentioned in the booklet put out by the bureau is to know which of the various types of savings appeals to use and when. Another is how to get enough return from investments to pay the high rates to depositors now current without sacrificing safety.

In this work, the bureau proposes to make monthly surveys of savings conditions for its members, and special surveys of conditions and exchanges of information from time to time. Dr. W. H. Steiner, formerly acting chief of the Bureau of Analysis and Research of the Federal Reserve Board, is director of the bureau. Associated with him are O. C. Lester, assistant vice-president Bowery Savings Bank, New York, on savings development; J. E. Baker, of Blodgett &

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Time-saving convenience is a policy that runs through all the services this Bank renders. Its time-saving collection procedure is of special importance to correspondents requiring Chicago facilities.



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*President*

CRAIG B. HAZLEWOOD  
*Vice-President*

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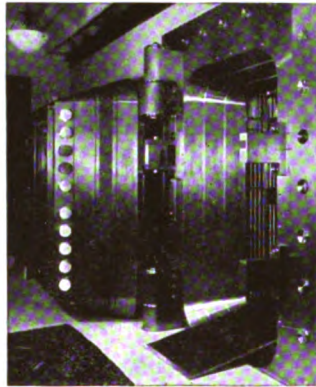
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CHARLOTTE  
KANSAS CITY  
SAN FRANCISCO  
NEW ORLEANS

Co., New York, on investments; and W. E. Hallett, comptroller Bank for Savings, New York, on methods and accounting. The advisory council of the bureau contains most of the prominent economists interested in banking: H. Parker Willis, editor of the *New York Journal of Commerce*; H. G. Moulton, director of the Institute of Economics, Washington, D. C.; W. F. Gephart, vice-president First National Bank in St. Louis; W. C. Mitchell, director of the National Bureau of Economic Research, New York; and George E. Roberts, vice-president of the National City Bank, New York.

The bureau does not state that it has any connection with the National Association of Mutual Savings Banks, but the fact that the *Savings Bank Journal* is included as part of its service, and the fact that its address is identical with that of the national association are indicative.

#### PUBLIC UTILITY BUREAU ORGANIZED

THE National Association of Mutual Savings Banks has organized a bureau to supply banks in all parts of the country with information on public utility bonds. It will be known as the Research Bureau of Public Utilities. Already eleven states have made public utility bonds legal investments for savings banks, and a bill making them legal in New York State is before the legislature.

With the great growth of savings, and the limited classes of investments available to savings banks, the rate on such investments has declined until the banks are hard put to earn enough on their investments to pay the interest rate which competition forces upon them.

On the other hand, the public utilities are constantly in need of capital to increase their facilities with the increase of public demand for services. Public utility companies have shown a stability of earning power approximating that of the railroads (except for the war period). After railroads, they are probably the next safest medium of investment.

If then certain utility bonds are made

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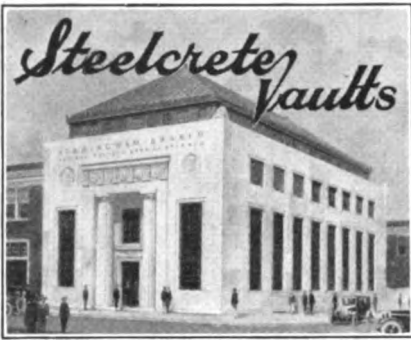
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legal investments for savings banks, a triple benefit will be gained. The banks will be able to invest their funds more profitably; the utilities will find capital more easily and in greater amounts; and the public will be benefited by having its money invested productively in producing more goods for it to consume.

#### BANK AIDS INSTALMENT BUYING OF LAND

CADMAN H. FREDERICK, a developer and builder of homes on Long Island, has completed an arrangement with the Midwood Trust Company, Brooklyn, New York, whereby the trust company will act as trustee for all the people who purchase homes from him to be paid for in instalments.

When a purchaser buys a home from Mr. Frederick, title to the home will be



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vested in the trust company, as trustee, to which the purchaser will make all his payments, and from which he will eventually receive his deed and title insurance policy when the payments are completed.

Thus the purchasers of homes will be relieved of the risk of the real estate dealer failing before they complete their purchase from him, and thus losing what money they had invested. The plan removes the risk inherent in the personal element usually present in instalment purchases of real estate. Furthermore it protects the purchaser who knows but little about real estate, in having an agency skilled in real estate practice handle the matter for him.

Finally, it is advantageous to the real estate man, relieving him of the details of making collections, and leaving his whole time free for real estate development.

## CONSERVATIVE INTEREST RATE PAYS IN NEBRASKA

A YEAR ago the Nebraska Legislature passed a law making 4 per cent. the maximum interest to be paid on savings deposits in state banks. The state banks, which had been paying 6 and 7 per cent., resulting in many bank failures because of paying out too large a proportion of earnings in interest, were much agitated for fear they would lose heavily in deposits, for the national banks and building and loan associations were not affected by the law.

The law was not effective until April 1, 1926. The state banks have been gradually cutting their rates down to the legal 4 per cent., and the expected decrease in deposits has failed to materialize, largely because by recommendation of the comptroller of the currency and by unofficial agreements with the building and loan associations, these competitors of the state banks have cut their rates to correspond with those of the state banks.

Thus the banks have profited by conservative methods, for with the reduction in rates paid to depositors, a larger proportion of the earnings are available for distribution to stockholders. In addition, they have strengthened their own financial structures.

## PROMINENT SPEAKERS FOR CREDIT MEN'S CONVENTION

AT the time of going to press, the details of the program of the convention of the National Association of Credit Men were not available. However, it was announced that the following prominent men would address the convention: Judge Augustus N. Hand; William A. Prendergast; Rev. George Alexander; Grosvenor M. Jones, of the Department of Commerce; William M. Jardine, Secretary of Agriculture; Rev. S. Parkes Cadman; Emory N. Buckner, U. S. District Attorney for the southern district of New York; Merle Thorpe,

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editor of *The Nation's Business*; Rabbi Nathan Krass; Willis H. Booth, vice-president of the Guaranty Trust Company, New York; and John C. Trapagan, president of the Seaboard National Bank, New York. Over 4000 delegates to the convention are expected.

The Robert Morris Associates will meet in New York at the same time.

resources over \$10,000,000—and that is the Federation Bank and Trust Company, New York.

The combined capital of all thirty-six banks is \$9,064,358, surplus and profits \$3,403,429, deposits \$98,635,165, and total resources \$114,896,305. Altogether, then, they about equal the National City Bank, New York.

### GROWTH OF THE LABOR BANKS

THE research department of the Amalgamated Clothing Workers of America has published a folder giving the statements of the labor banks in the United States as of December 31, 1925. It is surprising to note that there are thirty-six such banks in the country, and even more surprising to note that the Brotherhood of Locomotive Engineers controls fourteen of the thirty-six. If this keeps on the brotherhood will have difficulty in deciding whether it is a banking or a labor organization. The control of the remainder is widely scattered among machinists, clothing workers, needle trades, ship builders, and printing pressmen.

The Brotherhood of Locomotive Engineers Co-operative National Bank, Cleveland, O., is by far the largest, with capital of \$1,000,000, surplus and profits of \$295,386, deposits of \$26,414,496, and total resources of \$28,565,830. It recently announced that it would open several branches in Cleveland. Only seven of the remainder have capital of \$500,000 or over, and only one other has



|                  |                  |
|------------------|------------------|
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## BANCITALY CORPORATION DECLARES STOCK DIVIDEND

THE Bancitaly Corporation, San Fran-  
cisco, Calif., has declared a 25 per cent.  
stock dividend, to be paid with the split  
of the stock on a four for one basis. The  
par value of the present \$100 shares is  
to be reduced to \$25, and the owner of  
one share will receive, with the dividend  
five shares of new stock. The dividend  
was payable, and the shares exchangeable  
April 10.

## BETHLEHEM STEEL STATEMENT

THE annual report of the Bethlehem  
Steel Corporation for the year 1925  
shows gross sales of \$273,025,320,  
against \$243,904,265 for 1924. Net  
operating income amounted to \$36,142,-  
999, total income was \$38,988,742, and  
net income, after deducting interest  
charges and provision for depletion, de-  
preciation and obsolescence amounted to  
\$13,858,196, showing a considerable  
gain over the \$8,916,180 of 1924.

Operations continued at a high rate  
during the first quarter of 1926, and net  
income for that period amounted to \$5,-  
865,850. The company's production in  
March aggregated 610,775 tons, the lar-  
gest in its history—96.4 per cent. of  
capacity.

## INTERNATIONAL ACCEPTANCE OFFERS GERMAN ISSUE

THE International Acceptance Bank of  
New York has offered a \$5,000,000 issue  
of one year treasury notes of the State  
of Hamburg, Germany. The notes are  
dated May 1, 1926.

This is the first time the International  
Acceptance Bank has appeared publicly  
as an underwriter of a security issue. The  
issue, which takes the form of a \$5,000,-  
000 note is placed with the bank's new  
subsidiary, the International Acceptance  
Securities and Trust Company, as  
trustee, and certificates of participation  
are issued against it in denominations of  
\$50,000, \$25,000, \$10,000, and \$5,000.

The proceeds of the \$5,000,000 State of Hamburg treasury note issue are to be mainly used for the construction of piers, the construction of a bridge over the Elbe river and the improvement of real estate to be used for industrial purposes.

The State of Hamburg (Free and Hanseatic City of Hamburg), is one of the independent states constituting the Federation of the Republic of Germany, with control over its own affairs except as to such matters only as are reserved for control by the federal government. It includes within its territory of 160 square miles the City of Hamburg, which is the second largest city in Germany, and the harbors of Hamburg and Cuxhaven.

#### INTERNATIONAL HARVESTER STATEMENT

THE annual report of the International Harvester Company shows gross income of \$28,956,967 for 1925, and net profits



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F. ABBOT GOODHUE  
President International Acceptance  
Bank, Inc., New York.

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Gerdes Ventilating Systems and Electric Window Ventilators diffuse healthful and invigorating unheated fresh air without causing draft or chill, and prevent the infiltration of poisonous automobile gases as well as dust and soot which is so prevalent during the Summer Season.

Every installation is guaranteed as regards workmanship, material and functioning—that is, a satisfactory result to the owner is guaranteed.

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Reports and proposals are made without obligation or charge.

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 TRUST & SAVINGS BANK  
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 736 South Hill Street 308 South Broadway  
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for the year of \$19,171,240. This represents about 8 per cent. on the capital invested.

The balance sheet as of December 31, 1925, showed current assets of \$189,039,524, against current liabilities of \$28,675,953. Total assets amounted to \$287,266,864.

### BANK OF ATHENS TRUST COMPANY

THE agency of the Bank of Athens in New York, which has been established for about three years, has received an authorization certificate from the New York State Banking Department for the organization of the Bank of Athens Trust Company, with capital and surplus of \$500,000 each.

Under New York State laws, an agency of a foreign bank may not accept deposits and do a general commercial banking business. Therefore this must be accomplished by the organization of domestic corporations organized under

state laws, such as this one. There has been some activity to have the law changed to permit the establishment of foreign bank agencies here, but so far it has met with little success.

### STATE BANKERS CONVENTIONS

North Carolina—at Durham, May 6-8.

Mississippi—at Biloxi, May 11-12.

Maryland—at Atlantic City, N. J., May 12-13.

Oklahoma—at Oklahoma City, May 12-13.

Tennessee—at Knoxville, May 13-14.

New Jersey—at Atlantic City, May 13-15.

Georgia—at Columbus, May 17-19.

Missouri—at Excelsior Springs, May 18-19.

Kansas—at Wichita, May 20-21.

Alabama — at Montgomery, May 20-22.

Texas—at Galveston, May 25-27.

California—at Del Monte, May 26-29.

Pennsylvania—at Atlantic City, N. J., May 26-28.

Oregon — at Gearheart-by-the-Sea, June 4-5.

Wisconsin—at Wausau, June 7-9.

Washington—at Walla Walla, June 8-10.

Ohio—at Cleveland, June 9-11.

Minnesota — at Minneapolis, June 9-11.

Utah—at Richfield, June 11-12.

Idaho—at Pocatello, June 14-15.

## The South Carolina National Bank Charleston, S. C.

Greenville, S. C. - Columbia, S. C.

Consolidation of

Bank of Charleston, N. B. A.  
 Charleston, S. C.

Norwood Nat. Bank Greenville, S. C. Carolina Nat. Bank  
 Columbia, S. C.

Capital .....\$ 1,100,000.00

Surplus ..... 650,000.00

Resources ..... 25,000,000.00

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*Executive Offices:*

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**Alfred P. Sloan, Jr.**  
*President, General Motors Corporation*

**John J. Schumann, Jr.**  
*Vice President*

**Donald M. Spaidal**  
*Vice President*

Michigan—on board S. S. Noronic,  
June 14-18.

South Dakota—at Watertown, June  
15-16.

South Carolina—at Spartanburg, June  
17-19.

Illinois—at Springfield, June 16-18.

Virginia—at Roanoke, June 17-19.

District of Columbia—at Hot Springs,  
Va., June 17-20.

Connecticut—at New London, June  
18-19.

Maine—at South Poland, June 19.

New York—at Quebec, Canada, June  
21-23.

Iowa—at Sioux City, June 21-23.

North Dakota—at Grand Forks, June  
22-23.

West Virginia—at Huntington, June  
23-24.

Colorado—at Glenwood Springs, June  
25-26.

Montana—at Butte, July 15-17.

Indiana—at Lafayette, September  
21-22.

Delaware—at Rehoboth, September 2.  
New Mexico—at Roswell, October  
22-23.

### OTHER CONVENTIONS

National Safe Deposit Convention—at  
New York, N. Y., May 7-8.

National Association of Credit Men—  
at New York, N. Y., May 24-28.

New England Bankers Associations—  
at New London, Conn., June 18-19.

American Institute of Banking—at  
Dallas, Texas, July 12-17.

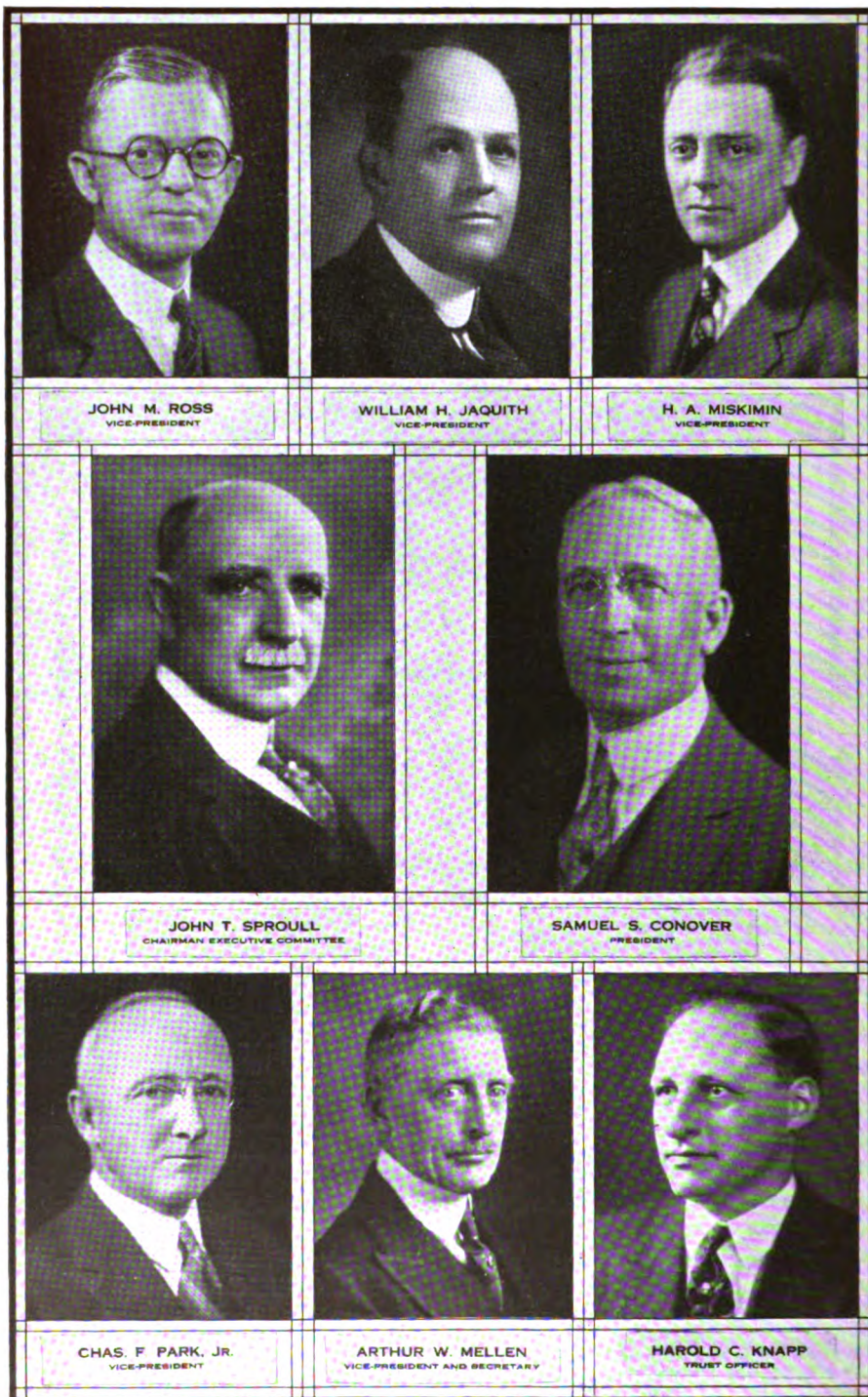
Financial Advertisers' Association—  
at Detroit, Mich., September 21-23.

Pacific Coast Trust Conference (A. B.  
A.)—at Los Angeles, September 30-  
October 2.

American Bankers Association—at Los  
Angeles, Calif., October 4-6.

Investment Bankers Association—at  
Quebec, Canada, October 11-15.

National Association of Mutual Sav-  
ings Banks—at Philadelphia, Pa., October  
18-22.



Officers of the Fidelity Trust Company of New York.



## THE FIDELITY TRUST COMPANY OF NEW YORK

THE merger, a few months ago, of the Coal and Iron National Bank, New York, and the Fidelity-International Trust Company, New York, as the Fidelity Trust Company, brought together two banks of nearly equal age, and with very similar experience.

The Coal and Iron National Bank opened for business in 1904, with a capital of \$300,000 and surplus of \$200,000. It was organized, as the name indicates by coal and railroad interests with, of course, a substantial representation from manufacturing and other interests. It took over the quarters at Liberty and West streets which had previously been occupied by the Bankers Trust Company and later by the Liberty National Bank, which quarters were kept as the main office until the time of the merger. Since that time the office is maintained as a branch of the new Fidelity Trust Company.

In 1907 the capital was increased to \$500,000 and the surplus to an equal amount, through the sale of additional stock and transfer of earnings. In 1909 the capital was again increased to \$1,000,000 by the declaration of a 100 per cent. dividend which subscribers were asked to use in the purchase of additional stock at par.

In March, 1919, the capital was further increased to \$1,500,000, the stockholders being given the right to subscribe to additional stock at \$150 per share. Prior to the merger the capital stock stood at \$2,000,000.

The Fidelity Trust Company (which later became the Fidelity-International Trust Company) began business in May of 1907, and it is greatly to its credit

that it was able to live through that trying period. The merger with the International Bank, as the Fidelity-International came in 1920, and at the time of the recent merger, the Fidelity-International had capital of \$2,000,000, also.

The new institution, therefore, is capitalized at \$4,000,000, with surplus of \$2,500,000, undivided profits of \$500,000. Combined deposits aggregated about \$45,000,000, and total resources are over \$50,000,000.

Both banks are justly proud of their records in the Panic of 1907. The Coal and Iron did not have to call a loan during the panic, and in fact had its resources in such liquid condition that it could assist other banks who were in less fortunate position. The Fidelity Trust was the only bank in New York whose deposits increased during the panic period.

At the time of the merger, it was intended to make Julian W. Potter, president of the Coal and Iron, president of the consolidated institution. His untimely death, however, made it necessary for Samuel S. Conover, president of the Fidelity-International to assume that position. John T. Sproull, chairman of the board of the Coal and Iron, is chairman of the executive committee of the new bank. The vice-presidents include John M. Ross, William H. Jaquith, H. A. Miskimin, Charles F. Park, Jr., and Arthur W. Mellen, the latter also acting as secretary. Harold C. Knapp is trust officer and vice-president. Messrs. Ross, Jaquith, Park and Knapp were officers of the former Coal and Iron National, while the others were with the Fidelity-International Trust Company.

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## *New York Federal Reserve Bank*

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|                     |                   |                     |
|---------------------|-------------------|---------------------|
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| <i>Philadelphia</i> | <i>Pittsburgh</i> | <i>Detroit</i>      |
| <i>Chicago</i>      | <i>Louisville</i> | <i>Jacksonville</i> |
| <i>Minneapolis</i>  |                   | <i>Little Rock</i>  |

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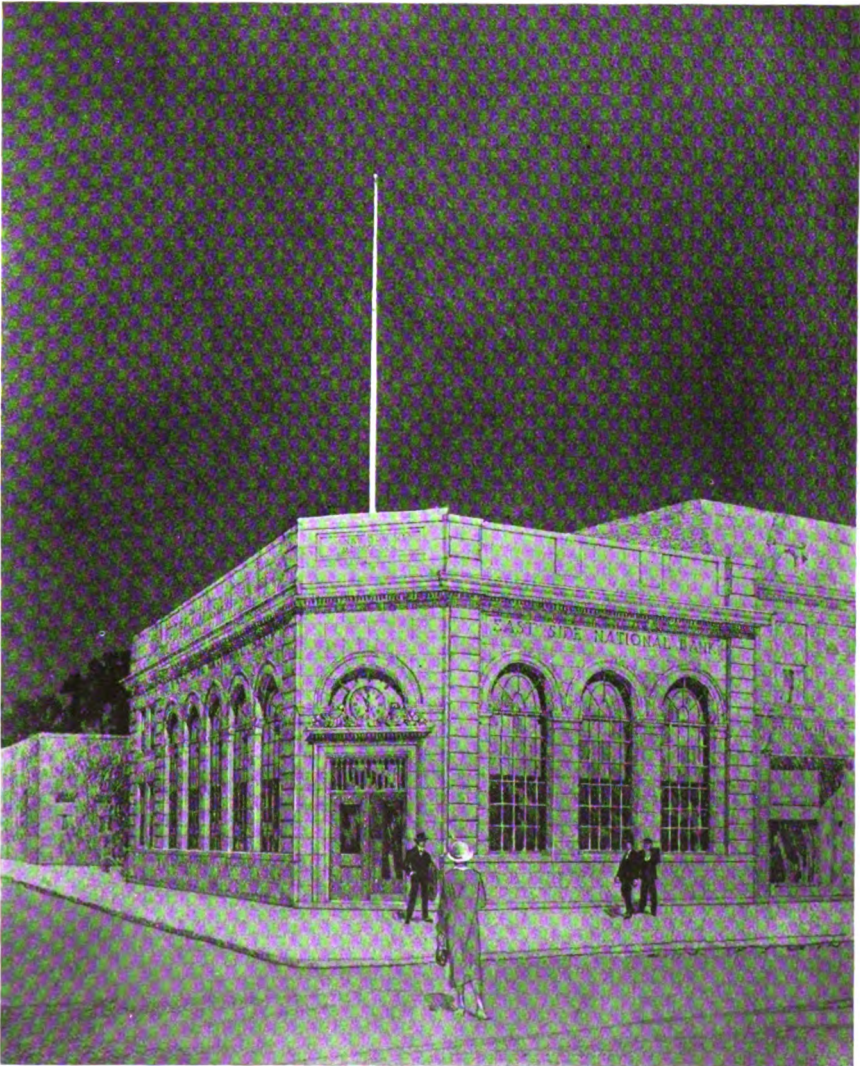
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**New York**

### *Branches*

|                  |                |                      |                  |
|------------------|----------------|----------------------|------------------|
| <i>New Haven</i> | <i>Boston</i>  | <i>Philadelphia</i>  | <i>Baltimore</i> |
| <i>Cleveland</i> | <i>Chicago</i> | <i>San Francisco</i> |                  |

## EXAMPLES OF RECENT BANK BUILDING OPERATIONS



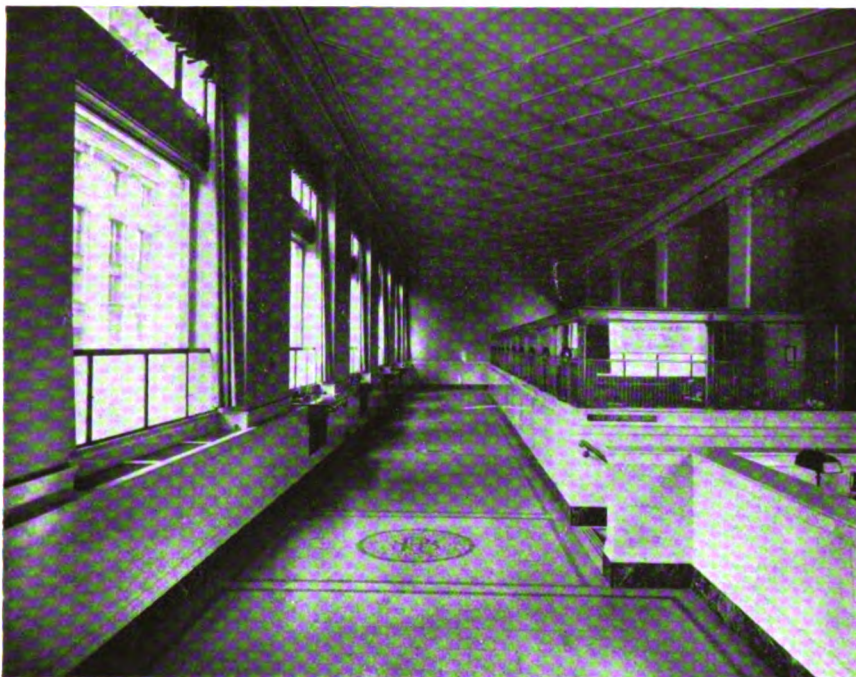
A photograph of the architects' drawing of the new building now being erected for the Eastside National Bank, Paterson, N. J. Morgan, French & Co., Inc., bank architects and engineers, New York, are the architects.



The large windows in the Hibernia Savings and Loan Society's building at San Francisco are equipped with Crittall steel window casements. Bakewell & Brown were the architects.



The officers' quarters in the new Seventh Avenue office of the National Park Bank, New York.



The public space in the recently opened Seventh Avenue office of the National Park Bank, New York.



Entrance to the safe deposit vault in the new Seventh Avenue office of the National Park Bank, New York. Built and installed by the Mosler Safe Co., Hamilton, Ohio.





Another progress photo of the First National Bank, Tampa, Florida, planned and constructed under the supervision of Holmes & Winslow, bank architects, New York, made during the week of April 19, 1926. The first three stories are faced with shot sawed limestone. Above that, the main shaft of the building is of golden range of tapestry brick, with the window spandrels of fire flashed terra cotta. The diamond shape inserts in the window spandrels are of a brownish tone, and the inserts at the top are of a polychrome blue. The building is expected to be ready for occupancy by July.



## BOOK REVIEWS AND NEW BOOKS

THE CLEARING AND COLLECTION OF CHECKS. By Walter E. Spahr. N. Y.: Bankers Publishing Co. \$7.50.

BY 1914 the use of checks in the United States had reached as great a development as anywhere in the world. This was not enough for the authorities of the newly established Federal Reserve System. They wanted checks (and through them deposit currency) to become the circulating medium of the country.

But in their zeal they used some methods which aroused bitter opposition. One of these was the attempt to coerce banks into par remittance. This was a mistake and is now realized as such. But a much more potent incentive to opposition was the profit which the country banks saw themselves losing through par remittance. They had built up a large source of revenue by charging exchange. There were no immediately visible compensating advantages, if this revenue were given up. They objected that they should not remit at par because remittance involved elements of cost. These costs, however, the Federal Reserve Banks eventually absorbed, by paying the cost of all currency shipments, and by offering to present checks at the counters of the non-par banks for payment.

"It is interesting to note," says Dr. Spahr, in a footnote on the par collection controversy, "that while the non-par banks have put forth the argument of expense as one of the chief justifications for making remittance charges, they continued to fight the Federal Reserve Banks when the latter met that argument by presenting checks at the counters of the drawee banks for payment without deduction. It became obvious that the non-par banks wish to exact tribute regardless of the soundness of any principle or the reality of the expense involved. . . . These banks have placed themselves in the position of showing

bad faith regarding the real merits of the controversy. That their sole purpose is to exact charges regardless of any justification is seen in the following statement made by one of their number: 'Even though the country perish, we must keep our collection charges.'"

And this seems to have been the attitude taken. Par collections were fought by all sorts of obstructive measures, finally resort being had to injunctions and suits. It seems unfortunate that so often in banking matters "one is compelled to look to court decisions for final judgment on the merits of the questions involved."

For the courts also seemed more intent on protecting the rights of individual banks to charge exchange, than on the development of the banking system as a whole. At present, with the aid of the courts, the extension of par collections seems to have been stopped, though the Federal Reserve Board still continues its efforts. In bringing together all the facts concerning this controversy, which is one of the most important in American banking today, and in showing the abuses which led up to the creation of a par collection system (like the classical example of the check which traveled 4500 miles to avoid collection charges, though it was drawn on a bank only four miles from where it was presented) that Dr. Spahr has done a real service.

But the reader must not conclude from this that Dr. Spahr's book is mainly devoted to the par collection controversy. Though that is the most interesting chapter in the book, it is but a small part. The book aims to be a complete treatise on the check as an instrument of payment, beginning with the first mention of checks back in the Middle Ages. It surveys briefly the use and development of the check in all the important countries in the world, and then goes into

considerable detail to describe the development in the United States.

The use of checks is so bound up with their clearing and collection, that this naturally involves a consideration of the methods of accomplishing both. A full history of the origin of clearing houses (which was not, as is commonly believed, in a London coffee house) and their development is given, even to the auxiliary services of clearing houses in establishing uniform interest rates, and examining member banks.

With the establishment of the Federal Reserve Banks in 1914, most of the clearing and collection functions were transferred to them, and it is to this development that the bulk of the volume is devoted. This is Dr. Spahr's real contribution to American banking, for this subject has never been so thoroughly covered before. Every operation is described in great detail, from the method of operation of the transit department in an individual bank to the operation of the gold settlement fund at Washington, telegraphic transfers, and the computation of reserves. A reading of these accomplishments of the Federal Reserve System will leave no doubt in any banker's mind as to the value of the system.

Finally, there is a review of the various attempts which have been made by Babson, Brookmire, and others to use bank clearings (meaning by "clearings" debits to individual accounts) as a barometer or thermometer of business conditions. Dr. Spahr believes that the recent studies of Carl Snyder of the Federal Reserve Bank of New York establish the fact that clearings are "a good single index and barometer of general business conditions," although more time must elapse before this can be established definitely.

The wealth of detail included makes the book invaluable as a reference work for students and economists. Those who prefer the outline form will find an admirable summary in the chapter "Resume of the Present System" at the end of the

book. The book itself is a mine of information for those who want the facts on the clearing and collection of checks.

---

Statement of the ownership, management, circulation, etc., required by the Act of Congress of August 24, 1912, of The Bankers Magazine, published monthly at New York, N. Y., for April 1, 1926.

State of New York, County of New York. Before me, a notary public in and for the State and County aforesaid, personally appeared J. R. Duffield, who having been duly sworn according to law, deposes and says that he is the business manager of The Bankers Magazine and that the following is, to the best of his knowledge and belief, a true statement of the ownership, management (and if a daily paper, the circulation), etc., of the aforesaid publication for the date shown in the above caption, required by the Act of August 24, 1912, embodied in section 443, Postal Laws and Regulations:

1. That the names and addresses of the publisher, editor, managing editor, and business managers are: Publisher, Bankers Publishing Co., 71 Murray street, New York; editor, E. H. Youngman, 71 Murray street, New York; managing editor, R. F. Durham, 71 Murray street, New York; business manager, J. R. Duffield, 71 Murray street, New York.

2. That the owners are: (Give names and addresses of individual owners, or, if a corporation, give its name and the names and addresses of stockholders owning or holding one per cent. or more of the total amount of stock.) Bankers Publishing Co., 71 Murray street, New York; W. C. Warren, 71 Murray street, New York; W. H. Butt, 71 Murray street, New York; E. H. Youngman, 71 Murray street, New York; J. R. Duffield, 71 Murray street, New York; K. F. Warren, 71 Murray street, New York; Warren Publications, Inc., 71 Murray street, New York (W. C. Warren holds 99 per cent. of stock).

3. That the known bondholders, mortgagees, and other security holders owning or holding 1 per cent. or more of total amount of bonds, mortgages, or other securities are: (If there are none, so state.) None.

4. That the two paragraphs next above, giving the names of the owners, stockholders, and security holders, if any, contain not only the list of stockholders and security holders as they appear upon the books of the company, but also, in cases where the stockholders or security holders appear upon the books of the company as trustee or in any other fiduciary relation, the name of the person or corporation for whom such trustee is acting, is given; also that the said two paragraphs contain statements embracing affiant's full knowledge and belief as to the circumstances and conditions, under which stockholders and security holders who do not appear upon the books of the company as trustees, hold stock and securities in a capacity other than that of a bona fide owner and this affiant has no reason to believe that any other person, association or corporation has any interest direct or indirect in the said stock, bonds, or other securities than as so stated by him.

5. That the average number of copies of each issue of this publication sold or distributed, through the mails or otherwise, to paid subscribers during the six months preceding the date shown above is..... (This information is required from daily publications only).

J. R. DUFFIELD,  
Sworn to and subscribed before  
me this 29th day of March, 1926  
ALEXANDER PUGLISI,  
Notary Public.  
My Commission expires March  
30, 1926.

PAPER

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**INVESTMENT SECURITIES**

80TH ANNIVERSARY NUMBER

31

June 1926

JUN 18 1926

*The* **BANKERS**  
**MAGAZINE**

80TH



YEAR



The Federal Reserve Bank Charters

By ANDREW W. MELLON

How Far Will the Merger Movement Go ?

By GEORGE W. EDWARDS

Pioneering in the American Investment  
Trust Field

By LELAND REX ROBINSON

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| Manhattan Oil Company .....            | 6%   | 1931     | 100     | 6.00% |
| Indiana Limestone Company .....        | 6%   | 1941     | 99      | 6.10% |
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| Loew's Incorporated .....              | 6%   | 1941     | 99.50   | 6.05% |
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| New York Central Railroad .....        | 4½%  | 1935-39  | Various | 4.65% |

• Full Descriptive Circular upon Request.

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Kansas City



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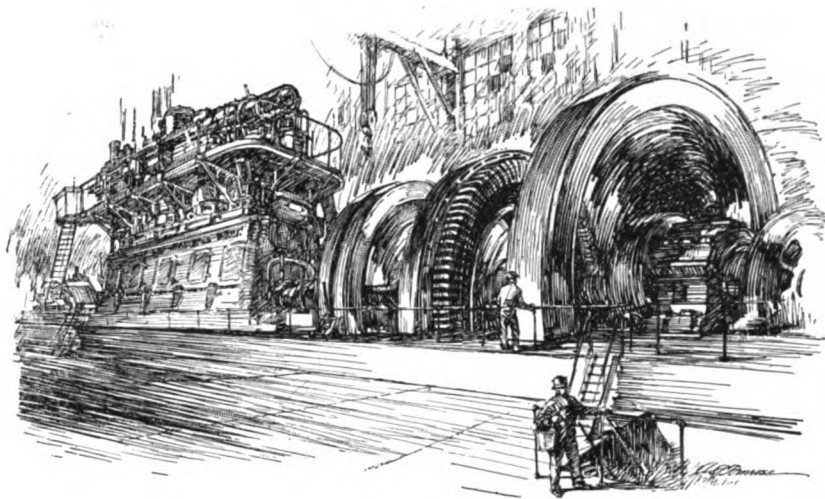
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## The Publisher's Page

**S**INCE the publication of the May number of **THE BANKERS MAGAZINE**, marking its initial appearance with a new cover and a new type dress, the Editors have received a number of letters from readers in various parts of the country commenting favorably upon the change. From the tone of these letters the Editors feel that the Magazine in its new form has been given a very encouraging reception by its readers. The Editors will be glad to receive further comment—favorable or otherwise—regarding any features of the new Magazine like, or do not

Among the interesting articles July number are titles: "The of Stockholding 'Reserve,' 'Fund' in the er;" "The Am-Market;" "Let's About the Other "Capitalism—or "London Bank-marks." Con-July number

**C**HARLES M. man of the Corporation; **R**EID, assistant London *Econo-* **L**OCK WOOD of Bar; **F. W. ELLSWORTH**, vice-president of the Hibernia Bank and Trust Company of New Orleans; **GERLOF VERWEY** of the Guaranty Trust Company of New York; and **HUGH LEACH**, auditor of the Federal Reserve Bank of Richmond, Va.

**C**HARLES N. FOWLER, whose article "Why the Federal Reserve Banks Should Not be Rechartered Now," appears on page 807 of this number, is a former United States Congressman from New Jersey, and was for many years chairman of the House Committee on Banking and Currency. **G**EORGE W. EDWARDS, whose article, "How Far Will the Bank Merger Movement Go?" appears on page 815, is professor of banking at New York University, an economist of note, and author of a number of books on banking and financial



**CHARLES M. SCHWAB**  
Chairman Bethlehem Steel Corporation.  
A contributor to the July number.

which readers like.

timely and into appear in the the following Voting Rights ers;" "Classify-'Surplus,' and General Ledgerdam Money Learn More Fellow's Job!" What?" and ing Land-tributors to the will include **SCHWAB**, chair-Bethlehem Steel **LEONARD J.** editor of the *mist*; **PRESTON** the New York



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NATIONAL  
BANK**

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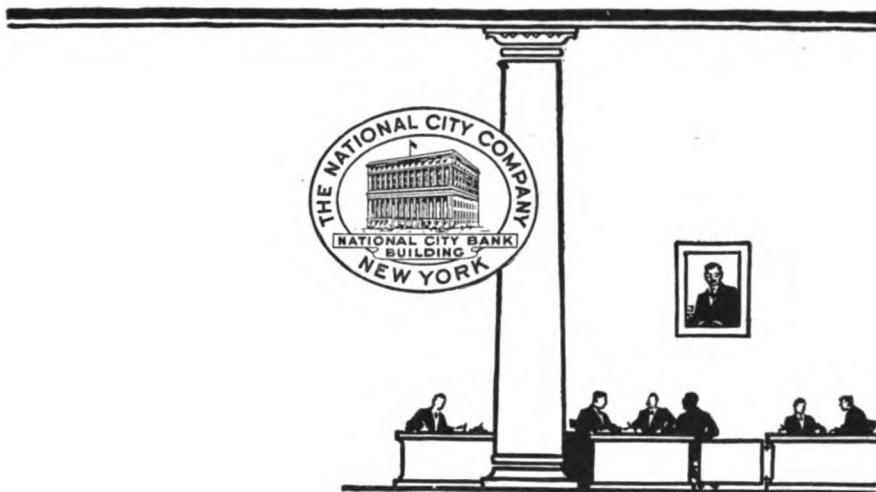
[Continued from page xi]

subjects. **LELAND REX ROBINSON**, trustee and vice-president of the International Securities Trust of America, whose article "Pioneering in the American Investment Trust Field" appears on page 809, was formerly assistant director of the United States Bureau of Foreign and Domestic Commerce, and has also been American financial trade commissioner in London. **J. G. GEDDES**, whose article "How the Banks are Serving American Foreign Trade" appears on page 821, is vice-president of the Union Trust Company of Cleveland. **G. F. TOWERS**, whose article "Canada's Relation to the United States" appears on page 827, is inspector of foreign department, Royal Bank of Canada. **E. B. FILSINGER**, whose article "Is Credit Needed in Export Trade?" appears on page 830, is export manager of Lawrence & Co., New York. **Henry M. Robinson**, whose article "The European Situation in 1926" appears on page 837, is president of the First National Bank of Los Angeles, Calif.

Eighty years makes a deal of difference in banking thought. Consider the topics discussed in the first issue of **THE BANKERS MAGAZINE** (July, 1846). One correspondent, signing himself "A Constitutionalist" was much alarmed at the practice of the Government of depositing its funds in banks. He insisted that the constitutional provision that "it shall be the duty of the Treasurer to receive and keep the moneys of the United States" should be observed literally. "As matters stand at present," he wrote, "we have neither treasure, treasury, nor treasurer. A mass of debts due to the Government by banks and individuals, which may or may not be paid, cannot, with any propriety, be called a treasure." And now practically all the fiscal functions of the Government have been transferred to the Federal Reserve Banks, not only without opposition, but with the approval of all concerned.

Another article in that number of the Magazine was concerned with the right of states to own and operate banks. Granting at the outset that the idea is economically unsound and usually results in disaster, it devoted a good deal of attention to the one exception—the Bank of the State of South Carolina. Due to unusually good management and almost complete control of the fiscal policies of the state, this bank was able to exist, in spite of protests, until 1870. Politics killed it then.

Two subjects discussed in the original issue of the Magazine still interest the banking world of today. Bank failures were a problem then, as they still are; and as they probably will continue to be so long as anyone with a little capital can organize a bank. The general principles of banking have also changed little.



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BONDS

SHORT TERM NOTES

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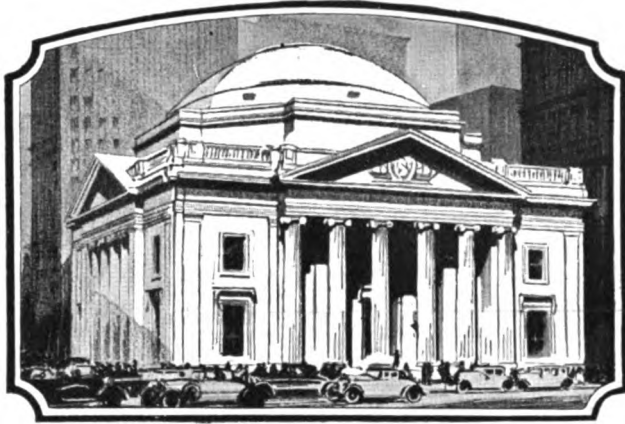


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It follows that a trust company or bank maintaining a trust department to which we may be of service may profitably consider this institution as a reserve depository for its funds.

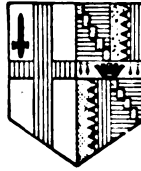
*Individual Trust Funds* \$429,000,000  
*Corporate Funds* - \$1,444,000,000

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Established 1875

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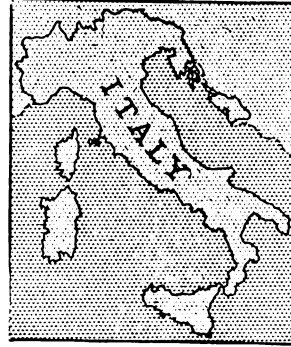


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 Subscribed Capital, \$22,500,000  
 Paid-up Capital, \$ 7,500,000  
 Reserve Fund, \$ 7,350,000

## Head Office

8 Moorgate Street, London, E.C. 2

Manager, ARTHUR WILLIS

## Chief Office

In New Zealand at Wellington

General Manager, ALFRED JOLLY



83 Branches and Agencies Throughout New Zealand.

Bills of Exchange Collected. Wool and Produce Credits Arranged.  
 All Classes of Banking Business Undertaken.

# BARCLAYS BANK (DOMINION, COLONIAL AND OVERSEAS)

Head Office: 54, LOMBARD STREET, LONDON, E.C.3.

Formerly

Incorporated by  
 Royal Charter, 1836

**THE COLONIAL BANK**  
 with which are amalgamated

Reincorporated by  
 Act of Parliament, 1925

**THE NATIONAL BANK OF SOUTH AFRICA LIMITED**

and  
**THE ANGLO-EGYPTIAN BANK LIMITED**

|                          |             |
|--------------------------|-------------|
| Capital authorised ..... | £10,000,000 |
| Capital subscribed ..... | £ 6,975,500 |
| Capital paid up .....    | £ 4,975,500 |
| Reserve Fund .....       | £ 1,000,000 |
| Uncalled Capital .....   | £ 2,000,000 |

### London Offices:

29, Gracechurch Street, E.C.3; 37-39, King William Street, E.C.4;  
 Circus Place, London Wall, E.C.2; 111, St. Martin's Lane, Trafalgar  
 Square, W.C.2.

### Other Offices:

LIVERPOOL—25, Castle Street. Manchester—21, York Street

HAMBURG—Adolphsplatz 4.

NEW YORK (Agencies)—3, South William Street; 44, Beaver Street.

With over 400 Branches in

British West Indies, British Guiana, Egypt and the Sudan, Transvaal, Rhodesia, Cape  
 Province, Natal, Orange Free State, British West Africa, Swaziland, Portuguese East  
 Africa, South West Africa, Tanganyika, Nyassaland, Kenya Colony, Malta, Gibraltar,  
 Palestine and the Mauritius.

The Bank acts as Agent for Home, Colonial and Foreign Banks



# THE BANK OF TAIWAN, LTD.

Incorporated by Special Imperial Charter, 1899

**Head Office: TAIPEH, JAPAN**

**Capital Subscribed..... Yen 45,000,000**

**Capital Paid Up..... Yen 39,375,000**

**HIROZO MORI, Esq., President**

**Directors**

**GUNJI KAWASAKI, Esq.**

**TADASU HISAMUNE, Esq.**

**DENKICHI TAKITA, Esq.**

**MASAKAZU SHUTO, Esq.**

***Branches :***

**JAPAN—Tokyo (General Manager's Office), Kobe, Osaka, Yokohama.**

**TAIWAN—Giran, Heito, Kagi, Karenko, Keelung, Makong, Nanto, Shinchiku, Taichu, Tainan, Takao, Taito, Toen, Tansui.**

**CHINA—Amoy, Canton, Foochow, Hankow, Shanghai, Swatow.**

**OTHERS—Hongkong, London, New York, Singapore, Semarang, Soerabaia, Batavia, Bombay, Calcutta, Dairen.**

**New York Office: 165 Broadway**

**K. YAMAMOTO, Agent**

**London Office: 25 Old Broad Street**

**Cable Transfers, Drafts, and Letters of Credit issued; the Negotiation and Collection of Bills of Exchange and other Banking Business transacted through our various Branches as well as correspondents in all parts of the world; offers exceptional facilities for handling transactions in the Far East.**

# The Sumitomo Bank, Limited

Cable address: "Sumitbank" ESTABLISHED 1913  
 (Successors to The Sumitomo Bank)

Capital Subscribed . . .  . . . Yen 70,000,000  
 Capital paid up . . . . . " 50,000,000

## Head Office : OSAKA, JAPAN

N. YATSUSHIRO, Esq., Managing Director S. IMAMURA, Esq., Managing Director  
 K. OHDAIRA, Managing Director

New York Agency, 149 Broadway, New York  
 G. HIGASHI, Agent

### HOME OFFICES

|             |            |               |          |           |          |
|-------------|------------|---------------|----------|-----------|----------|
| Osaka (17)  | Tokyo (15) | Yokohama      | Kobe (3) | Kyoto (2) | Niigata  |
| Shimonoseki | Moji       | Hiroshima (2) | Hakata   | Yanai     | Onomichi |
| Kurume      | Kure       | Wakamatsu     | Kokura   | Nagoya    | Kumamoto |
|             |            |               |          |           | Okayama  |

Foreign Branches—Shanghai, New York, London, Hankow, San Francisco, Los Angeles, Bombay  
 Affiliated Banks—The Sumitomo Bank of Hawaii, Ltd., Honolulu, T. H.; The Sumitomo  
 Bank of Seattle, Seattle, Wash.; and The Sumitomo Bank of California, Sacramento, Cal.

Bankers—National City Bank of New York, New York;  
 Lloyds Bank, Ltd. London; Lloyds & National Provincial Foreign Bank, Ltd., Paris.

### Correspondents in All Important Places at Home and Abroad

The Bank buys, sells and receives for collection drafts and telegraphic transfers; issues  
 Commercial and Travellers Letters of Credit available in all important parts of the  
 world, and acts as Trustee for Mortgage Bond, besides doing general Banking Business.

# THE MITSUI BANK, LTD.

Capital Subscribed . . .  . . . Yen 100,000,000.00  
 Capital Paid-Up . . . . . Yen 60,000,000.00  
 Reserve Funds (June 1925). . . . . Yen 51,400,000.00

## Head Office : TOKYO, JAPAN

(No. 5 Honkawayacho, Nihonbashi-ku)

*President*

G. MITSUI, Esq.

*Managing Directors*

S. IKEDA, Esq. N. KIKUMOTO, Esq.  
 H. KAMESHIMA, Esq. R. IMAI, Esq.

New York Agency, 61 Broadway, New York City

### Home Branches :

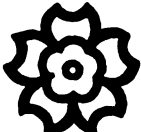
Fukuoka, Hiroshima, Kobe, Kyoto, Marunouchi (Tokyo), Moji,  
 Nagasaki, Nagoya, Nihonbashi (Tokyo), Osaka (4), Otaru,  
 Shimonoseki, Wakamatsu (Kyushu), Yokohama

### Foreign Branches :

Bombay London New York Shanghai Sourabaya

# The Bank of Chosen

Incorporated by Special Charter of Imperial Japanese Government, 1909

|                          |   |                       |
|--------------------------|---|-----------------------|
| Capital Subscribed . . . |  | . . . Yen 80,000,000  |
| Capital Paid-Up . . .    |   | . . . Yen 50,000,000  |
| Total Resources . . .    |   | . . . Yen 660,000,000 |

## Head Office, Keijo (Seoul), Chosen (Korea)

Governor, K. NONAKA

Deputy Governor, S. SUZUKI

Y. KATAYAMA

*Directors*  
I. IUCHI

M. HASHIMOTO

### FOREIGN DEPARTMENT: TOKYO

(All communications relating to the arrangements of correspondent and the Bank's general foreign business to be addressed to the Foreign Department)

### Principal Branches:

- CHOSEN: (*Korea*) Chemulpo, Pyengyang, Wonsan, Fusan, Taiku.  
 MANCHURIA: Mukden, Dairen, Changchun, Newchang, Harbin, Antung.  
 JAPAN: Tokyo, Osaka, Kobe, Shimonoseki.  
 CHINA: Shanghai, Tsingtao, Tientsin, Tsinan  
 SIBERIA: Vladivostok.

**New York Agency, 165 Broadway**  
 H. YAMASHITA, Agent

# The Kajima Bank, Limited

Established in 1888

|                          |   |                   |
|--------------------------|---|-------------------|
| CAPITAL SUBSCRIBED       |  | Yen 30,200,000.00 |
| CAPITAL PAID UP . . .    |   | 18,875,000.00     |
| RESERVE FUNDS . . .      |   | 5,900,000.00      |
| DEPOSITS (June 30, 1925) |   | 172,915,129.34    |

**Kelzo Hirooka, Esq., President**  
**Yukinori Hoshino, Esq., Managing Director**  
**Seishichi Kawakami, Esq., Managing Dir.**  
**Hiketaro Ohmura, Esq., Director**  
**Shikazo Sato, Esq., Director**  
**Manroku Matsui, Esq., Auditor**

**Chusuke Yoshii, Esq., Managing Director**  
**Seijiro Gion, Esq., Director**  
**Tadanosuke Emura, Esq., Director**  
**Kyuemon Hirooka, Esq., Auditor**  
**Kin-ichiro Hoshijima, Esq., Auditor**

## Head Office, Osaka, Japan

### Principal Branches:

Tokyo Kyoto Kobe Okayama Hiroshima Fukuyama Tekuyama

**General Banking, Foreign Exchange and Trust  
 Business Transacted**

### New York Correspondents

Yokohama Specie Bank, Ltd.  
 Bank of Taiwan, Ltd.  
 American Express Co.  
 Irving Bank-Columbia Trust Co.  
 Guaranty Trust Company of New York

### London Correspondents

Yokohama Specie Bank, Ltd.  
 Bank of Taiwan, Ltd.  
 Midland Bank Ltd.  
 Bank of London and South America, Ltd.



# SKANDINAVISKA KREDITAKTIEBOLAGET

Established in 1864

GOTHENBURG      STOCKHOLM      MALMÖ

Branches  
In All Parts of Sweden

PAID-UP CAPITAL AND RESERVES  
KR. 182,000,000

Telegraphic Address: Kreditbolaget

Foreign Exchange bought and sold, bills collected, deposit  
and current accounts opened and all kinds of banking  
business transacted

## Commercial Bank of Greece

(A Limited Liability Company registered in Athens)

*Head Office: Athens*

*Branches: Piraeus, Argos, Pyrgos, Patras, Corfou, Cephalonia, Nauplie,  
Vostizza, Calamata, Syra, Chio, Candia, Volo, Salonica, Larissa,  
Triccala, Mytilene, Canea, Zante, Plomari and Tripolitza*

*ASSOCIATED BANK in LONDON*

### The Commercial Bank of The Near East, Ltd.

4 London Wall Buildings, E. C. 2

*with branch in CONSTANTINOPLE*

*Correspondents in the principal towns of Greece and in foreign countries  
throughout the world*

**GENERAL BANKING BUSINESS TRANSACTED**

Collections, Letters of Credit, Cable Transfers, Current  
and Term Deposits, Etc.

**Capital and Reserves . . . Dr. 58,106,143**

of the above Dr. 25,000,000 are represented by assets of £1,000,000 evaluated at Dr. 25

# Nederlandsche Handel-Maatschappij.

(NETHERLANDS TRADING SOCIETY).

Established by Royal Charter A.D. 1824.

|                             |              |                |              |
|-----------------------------|--------------|----------------|--------------|
| Capital Paid up.....        | f.80,000,000 | Neth. Currency | (£6,666,666) |
| Statutory Reserve Fund..... | f.20,536,861 | “ “            | (£1,711,405) |
| Extraordinary Reserve Fund  | f.22,660,000 | “ “            | (£1,888,333) |

Head Office: AMSTERDAM.

Branches in HOLLAND: ROTTERDAM, THE HAGUE.

Branches in the NETHERLANDS INDIES: BATAVIA, SOURABAYA, SAMARANG, MEDAN, and further Principal Ports.

Branches in the STRAITS SETTLEMENTS, BRITISH INDIA, CHINA and JAPAN: SINGAPORE, PENANG, RANGOON, CALCUTTA, BOMBAY, HONGKONG, SHANGHAI and KOBE.

Grant Drafts and Issue Letters of Credit on all their Branches and Correspondents in the East, on the Continent, on Great Britain, Africa, America and Australia, and transact Banking Business of every description.

LONDON CORRESPONDENTS :

The National Provincial Bank, Ltd., LONDON.

# The Union Bank of Australia, Limited

Established 1837. Incorporated 1880.

|                                    |            |
|------------------------------------|------------|
| Capital Authorized and Issued..... | £9,000,000 |
| Capital Paid-Up .....              | £3,000,000 |
| Reserve Fund .....                 | £3,350,000 |
| Reserve Liability of Proprietors   | £6,000,000 |

Head Office—71, CORNHILL, LONDON, E. C. 3

Manager—W. J. ESSAME      Assistant Manager—W. A. LAING  
Secretary—F. H. McINTYRE

193 Branches throughout Australia and New Zealand, viz.:

In Victoria, 47; In South Australia, 15; In New South Wales, 43; In Western Australia, 20; In Queensland, 19; In Tasmania, 3; In New Zealand, 46.

Agents and Correspondents in all parts of the World

The Bank offers facilities for the transaction of every description of Banking business in Australia and New Zealand.

Bills negotiated or sent for collection. Commercial and Circular Credits issued available throughout the World.

# NATIONAL PROVINCIAL BANK

LIMITED

Established 1833

(85=£1)

Subscribed Capital - - - \$218,085,400

Paid-Up Capital - - - - - 47,397,080

Reserve Fund - - - - - 47,397,080

*Head Office:* 15, BISHOPSGATE, LONDON, E. C. 2

UNION BANK OFFICE: 2 Princes Street, London, E. C. 2

OVER 1,100 OFFICES in ENGLAND and WALES

The Bank offers special facilities for the conduct of accounts  
of Colonial and Foreign Banks

AFFILIATED BANKS

COUTTS & CO., GRINDLAY & CO., LTD.

Bank of British West Africa, Ltd.

Lloyds & National Provincial Foreign Bank Ltd.

P. & O. Banking Corporation, Ltd.

The British Italian Banking Corporation, Ltd.



## BOOKS THAT BANKERS NEED

Write for our new circular describing books  
that you need for your banking library

BOOK DEPARTMENT

# THE BANKERS PUBLISHING Co.

71 Murray Street, New York, U.S.A.



# Commonwealth Bank of Australia.

Guaranteed by the Australian Commonwealth Government

## HEAD OFFICE, SYDNEY



Head Office  
Sydney, N. S. W.

Branches in all the principal towns and cities of Australia, at London (2), and Rabaul.

A Savings Bank Department at all Branches and 3,355 Savings Bank Agencies at Post Offices throughout the Commonwealth of Australia, Territories of Papua and New Guinea, Solomon Islands Protectorate and other parts of the Pacific.

### *Agents and Correspondents throughout the World*

#### Banking and Exchange Business

of every description transacted within the Australian Commonwealth, United Kingdom, United States, Canada and Abroad

December 31st, 1925

|                       |   |   |                         |
|-----------------------|---|---|-------------------------|
| General Bank Deposits | - | - | \$157,319,211.25        |
| Other Items           | - | - | 50,753,380.25           |
| Savings Bank Deposits | - | - | 219,378,466.81          |
| Note Issue Department | - | - | 269,451,132.50          |
|                       |   |   | <u>\$696,902,190.81</u> |

Cable Remittances made to, and drafts drawn on United States, Canada and foreign places direct

Letters of Credit issued to any part of the World

Bills Negotiated or Forwarded for Collection

Current Accounts Opened                      Interest on Fixed Deposits

Advances made against approved Securities

**JAMES KELL, Esq., Governor**

THE  
**NATIONAL BANK OF AUSTRALASIA**

LIMITED

ESTABLISHED . . 1858.

Head Office: MELBOURNE

|                                    |               |
|------------------------------------|---------------|
| Authorized Capital (@ \$5 to £1)   | \$50,000,000  |
| Capital Paid Up . . . . .          | \$20,000,000  |
| Reserve Fund . . . . .             | \$11,500,000  |
| Total Assets March, 1925 . . . . . | \$205,888,875 |

With its 469 well spread offices the Bank provides a complete banking service throughout Australia, and is well equipped for the transaction of all classes of foreign business.

|  |   |   |
|--|---|---|
| Chief Manager<br><b>E. H. WRETFORD</b> | Deputy Chief Manager<br><b>JAMES WILSON</b> | Chief Inspector<br><b>J. A. G. HADLEY</b> |
|--|---|---|

Inspector and Manager, Foreign Department: **E. J. OSBORNE**

London Office - 7 LOTHBURY, E.C.2.

**English, Scottish & Australian Bank,**  
 Limited

|   |              |
|---|--------------|
| Authorized Capital . . . . .                | \$18,750,000 |
| Paid-up Capital . . . . .                   | \$11,250,000 |
| Further Liability of Shareholders . . . . . | \$7,500,000  |
| Reserve Fund . . . . .                      | \$9,750,000  |

HEAD OFFICE:—5, GRACECHURCH STREET, LONDON, E.C. 3  
 and 384 Branches and Agencies in Australia

Chief Office in Australia—Collins Street, Melbourne

BANKING AND EXCHANGE BUSINESS of every description transacted with Australia. BILLS NEGOTIATED or sent for COLLECTION REMITTANCES made by TELEGRAPHIC TRANSFER. WOOL and PRODUCE CREDITS arranged. LETTERS of CREDIT and DRAFTS issued on all the Branches of the Bank.

**Chief Agents in United States**

NEW YORK—Guaranty Trust Company of New York.  
 CHICAGO—First National Bank.  
 SAN FRANCISCO—Crocker National Bank.

**E. M. JANION, Manager.**



# THE BANK OF AUSTRALASIA

(Incorporated by Royal Charter, 1835)

**Paid-up Capital . . . . . £4,000,000**  
**Reserve Fund . . . . . £3,760,000**  
**Reserve Liability of Proprietors**  
**under the Charter . . . . . £4,000,000**  
**£11,760,000**

**Head Office, 4 Threadneedle Street, London, E. C. 2**

**EDMUND GODWARD, Manager**

**West End Branch, 17 Northumberland Avenue, London, W. C. 2**

**Branches in Australia**

**VICTORIA**

Melbourne; 394 &  
 396 Collins St.; 384  
 Elizabeth St.; 71  
 Collins St. East  
 Brunswick  
 Burnley  
 Coburg  
 Collingwood  
 Elsternwick  
 Footscray  
 Malvern  
 Middle Brighton  
 Port Melbourne  
 Prahran  
 St. Kilda  
 Williamstown

Bairnsdale  
 Ballarat  
 Benalla  
 Bendigo  
 Bright  
 Castlemaine  
 Charlton  
 Chiltern  
 Cobram  
 Corryong  
 Drouin  
 Euroa  
 Fish Creek  
 Foster  
 Geelong  
 Katamatite  
 Kingston  
 Korat  
 Korong Vale  
 Korumburra  
 Leonatha  
 Mirboo North  
 Mooroopna  
 Morwell  
 Nathalia  
 Numurkah  
 Port Fairy (Belfast)  
 Rutherglen

**Victoria, Contd.**

St. James  
 Sale  
 Shepparton  
 Stawell  
 Strathmerton  
 Tallangatta  
 Terrang  
 Traralgon  
 Tungaamah  
 Walwa  
 Warragul  
 Warrnambool  
 Wedderburn  
 Welshpool  
 Wycheproof  
 Yackandandah  
 Yarran  
 Yarrowonga

**NEW SO. WALES**

Sydney; Martin  
 Place; 85 Pitt St.;  
 555 George St. So.;  
 Wentworth Ave.;  
 236 William Street  
 Bondi Junction  
 Castlereagh St.  
 Hurstville  
 Kogarah  
 Leichhardt  
 Marrickville  
 Newtown  
 North Sydney  
 (84 Mount St.)  
 Petersham  
 Albury  
 Ballina  
 Bathurst  
 Bega  
 Bellingen  
 Berrigan  
 Blayney  
 Broken Hill  
 Cassnock

**N. S. Wales, Contd.**

Cootamundra  
 Corowa  
 Crookwell  
 Dorrigo  
 Dubbo  
 Forbes  
 Glen Innes  
 Goulburn  
 Grafton  
 Grenfell  
 Hamilton  
 Howlong  
 Jerilderie  
 Kempsey  
 Kyogle  
 Lismore  
 Maitland (West)  
 Maitland (East)  
 Moree  
 Murwillumbah  
 Muswellbrook  
 Narrabri  
 Narromine  
 Newcastle  
 Nowra  
 Orange  
 Parkes  
 Peak Hill  
 South Grafton  
 Stroud  
 Tamworth  
 Tullamore  
 Wagga-Wagga  
 Wee Wee  
 Young

**QUEENSLAND**

Brisbane  
 Fortitude Valley  
 Cairns  
 Charters Towers  
 Chillagoe  
 Cooyar  
 Crow's Nest  
 Herberton

**Queensland, Contd.**

Hughenden  
 Ipswich  
 Kingaroy  
 Longreach  
 Maryborough  
 Oakley  
 Richmond  
 Rockhampton  
 Roma  
 Toogoolawah  
 Toowoomba  
 Townsville

**SO. AUSTRALIA**

Adelaide  
 Kooronga  
 Mount Barker  
 Port Lincoln  
 Port Pirie  
 Wirrathara

**WESTERN**

**AUSTRALIA**

Pertth  
 Albany  
 Beverley  
 Bunbury  
 Fremantle  
 Gnowangerup  
 Kalgoorlie  
 Moora  
 Northam  
 Wagin  
 Wickkepin  
**TASMANIA**  
 Hobart  
 Burnie  
 Deloraine  
 Devonport  
 Fingal  
 Latrobe  
 Launceston  
 Sheffield  
 Stanley  
 Ulverstone  
 Wynyard

**Branches in New Zealand**

Wellington  
 Ashburton  
 Auckland  
 Blenheim  
 Christchurch  
 Dannevirke  
 Dunedin  
 Eltham  
 Featherston  
 Feilding  
 Gisborne  
 Gore

Hamilton  
 Hastings  
 Hawera  
 Invercargill  
 Kaitaka  
 Levin  
 Manala  
 Mangonui  
 Marton  
 Masterton  
 Matamata  
 Morrinsville

Napier  
 New Plymouth  
 Otaki  
 Palmerston Nth.  
 Patea  
 Raetihi  
 Rotorua  
 Stratford  
 Taihape  
 Taumarunui  
 Tauranga  
 Te Aroha

Te Kuiti  
 Temuka  
 Te Puke  
 Timaru  
 Waipawa  
 Waipukurau  
 Waioa  
 Wanganui  
 Waverley  
 Whakatane  
 Whangarei

**Principal Correspondents in North America**

**CANADA:**

Bank of Montreal  
 Canadian Bank of Commerce

**UNITED STATES:**

Bank of New York & Trust Co., New York  
 Hanover National Bank, New York  
 National Bank of Commerce, New York

**UNITED STATES, Contd.:**

National City Bank of New York  
 Continental & Commercial Nat. Bk. of Chicago  
 Illinois Merchants Trust Co., Chicago  
 National Bank of the Republic, Chicago  
 Franklin Fourth Street Nat. Bk., Philadelphia  
 Wells Fargo Bank & Union Trust Co., San Francisco

Offer facilities for the transaction of every description of Banking Business in Australia and New Zealand. Negotiate or Collect Bills. Issue Telegraphic Transfers, Letters of Credit and Drafts, also Circular Notes and Circular Credits, on all parts of the world

# THE STANDARD BANK OF SOUTH AFRICA, LIMITED

(with which is incorporated the  
AFRICAN BANKING CORPORATION, LIMITED)

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

|                    |   |   |   |   |   |                    |
|--------------------|---|---|---|---|---|--------------------|
| Authorised Capital | - | - | - | - | - | £10,000,000        |
| Subscribed Capital | - | - | - | - | - | £8,916,660         |
| Paid-Up Capital    | - | - | - | - | - | £2,229,165         |
| Reserve Fund       | - | - | - | - | - | £2,893,335         |
| Uncalled Capital   | - | - | - | - | - | £6,687,495         |
|                    |   |   |   |   |   | <u>£11,809,995</u> |

**BANKING BUSINESS TRANSACTED  
IN ALL PARTS OF THE WORLD**

**HEAD OFFICE: 10, Clements Lane, Lombard Street, London, E.C. 4.**

London Wall Branch: 63, London Wall, E. C. 2

West End Branch: 9 Northumberland Avenue, W. C. 2 (Opposite the Royal Colonial Institute)

Hamburg Agency: Bank of British West Africa, Ltd., 49-53, Schauenburgerstrasse

Branches and Agencies Throughout  
SOUTH, SOUTH WEST and EAST AFRICA

**New York Agency: 67 Wall Street**

ROWLAND SMITH and R. GIBSON, Agents

*Also representing* { Bank of British West Africa, Ltd.  
*in New York* { Bank of New South Wales

**The New York Agency**

offers to Bankers and Merchants throughout the United States and  
Canada its unsurpassed service for facilitating trade with  
the markets of Africa, Australia and New Zealand.

ESTABLISHED 1817

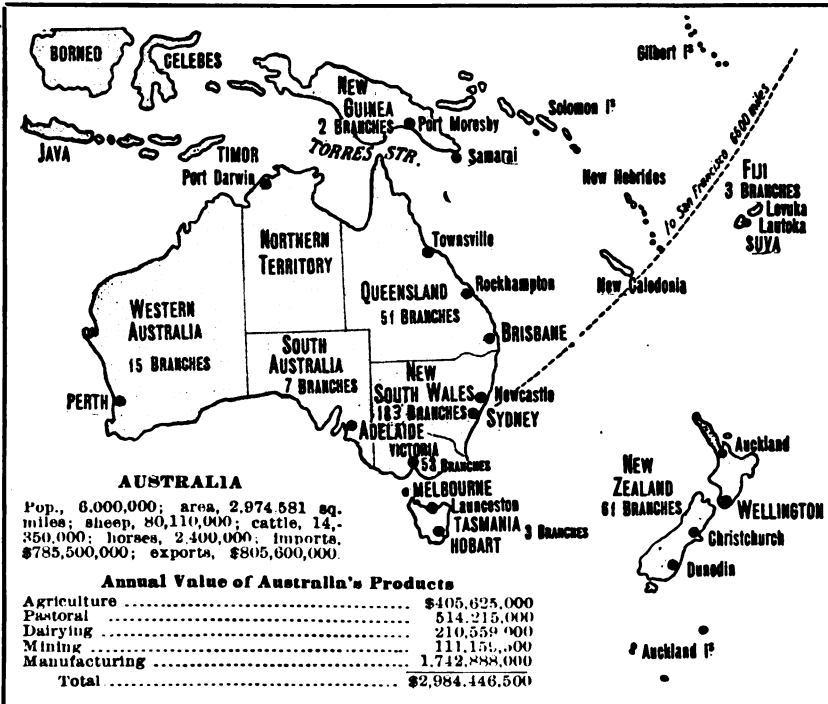
# BANK OF NEW SOUTH WALES

## AUSTRALIA

|  |   |              |
|--|---|--------------|
| Paid-up Capital . . .                  |  | \$30,000,000 |
| Reserve Fund . . .                     |   | 22,000,000   |
| Reserve Liability of Proprietors . . . |   | 30,000,000   |
|  |   | \$82,000,000 |
|  |   |              |

Aggregate Assets, 30th Sept., 1925, \$400,047,015

OSCAR LINES, General Manager



Head Office—George St., Sydney      London Office—29 Threadneedle St., E. C.

### 417 BRANCHES AND AGENCIES

In all the Australian States, New Zealand, Fiji, Papua (New Guinea) and London

Cable remittances made to and drafts drawn on Foreign Places DIRECT

Foreign Bills Negotiated and Collected.

Letters of Credit Issued.


NEGOTIABLE THROUGHOUT THE WORLD

The bank collects for and undertakes the agency of other banks and transacts every description of Australian Banking Business

**Agents in New York :** Standard Bank of South Africa, Ltd.  
 National City Bank of New York  
 National Bank of Commerce in New York

Agents in San Francisco, Bank of California National Association, Crocker National Bank and Anglo and London Paris National Bank



OURTEEN foreign governments, including Great Britain, France, and Belgium, and two hundred governmental subdivisions of the United States are served in various capacities by the Trust Department of this Company.

These governments and more than five hundred leading corporations of the United States, have found our complete facilities and organization of distinct advantage. We render every trust service—as fiscal agent, transfer agent, registrar, trustee, depository, custodian, receiver, for corporations and governments; and as executor, trustee, administrator, guardian, for individuals.

## Guaranty Trust Company of New York

NEW YORK

LONDON

PARIS

BRUSSELS

LIVERPOOL

HAVRE

ANTWERP

# THE BANKERS MAGAZINE

ESTABLISHED 1846

ELMER H. YOUNGMAN, *Editor*

VOLUME CXII

JUNE, 1926

NO. 6

## *Editorial Comment*

### TO OUR FRIENDS

I count myself in nothing else so happy as in a soul remembering me my good friends.

—*Shakespeare.*

IT is not without pride and satisfaction that THE BANKERS MAGAZINE, on the occasion of its eightieth anniversary, takes advantage of the opportunity of thanking its friends, throughout the United States and in other lands, for their long-continued confidence and support. That a publication devoted to banking should not only have survived thus long, but actually be stronger now than ever before, is a fact in itself of considerable significance, just as is the continued existence and prosperity of a bank for an equal length of time. There are many banks that are as old or older than THE BANKERS MAGAZINE, and some of them have joined in this commemorative number. Others that are younger have nevertheless been among subscribers, advertisers and friends for a long time. Through correspondence and personal contact it has been possible to maintain with many of these friends very close relations, and this opportunity of thanking them all must not be allowed to pass unimproved.

Circumstances have made THE BANKERS MAGAZINE not merely national but international in character. It is in no sense a sectional publication, and while intensely American it is hostile to no other country, but believes that a wise policy of international co-operation will prove best for all countries.

Domestic and foreign trade can be carried on only through the help of sound and efficient banking and such trade constitutes a great civilizing force. It may be truly said that the banks are an important instrumentality of civilization.

To report and interpret the progressive

methods and principles of sound banking, and to note the economic advance of our country and the world is the aim of this publication.

The thanks of the editors and publishers are cordially extended to friends of THE BANKERS MAGAZINE wherever they may be.

### THE FOUNDATIONS OF OUR FAITH

IN the conduct of a public journal as in the construction of a substantial edifice of any kind, great importance attaches to the character of the foundation—whether it shall be of sand, subjecting the structure to the destructive force of storms, or of rock, against which floods and winds may beat in vain.

Turning over the pages of the first number of THE BANKERS MAGAZINE, in that far-away time of 1846, a considerable degree of satisfaction is felt that those who laid the foundations of this publication did their work so well. They had, as exemplified in these pages, a correct understanding of the principles underlying a sound currency and safe banking. Here are statements from an article printed in the very first number of THE BANKERS MAGAZINE, which have been often quoted, but which can never be repeated too many times:

"Bank notes are promises to pay on demand a given quantity of coin; they are promises to pay money, but they are not money in themselves. This is an important distinction, and the not making it is the source of most popular errors on the subject of currency.

# THE BANKERS' MAGAZINE

AND

## State Financial Register.

JULY, 1846.

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"Bank credits, commonly called deposits, are of precisely the same general character as bank notes; they arise from the deposit of coin or bank notes, from the collection of individual notes, or from bills of exchange, or from discounts made by the bank for the parties to whose credit they are placed. However originating, the bank admits them to be a debt payable in gold and silver on demand. They remain to the credit of the party owning them, because a bank credit, like a bank note possessing the power of commanding the coin at any moment, is preferable to the possession of it in specie. Bank notes and bank credits are convertible into each other at the pleasure of the possessor. They are essentially the same."

This was from a pamphlet by Nathan Appleton, published in 1841. Hamilton, much earlier, had said substantially the same thing. It constitutes a banking principle whose observance in legislating on the currency is of vital importance, and one which the United States has not yet adopted. The "popular errors on the subject of currency," which Mr. Appleton deplored in 1841, still prevail in 1926.

From the same source is derived an equally important banking principle:

"No expectation of forbearance or indulgence should be encouraged. Favor and benevolence are not the attributes of good banking. Strict justice and the rigid performance of contracts are its proper foundation."

Harsh as this may sound to ears accustomed to the soft phrases of the times, its soundness can not be challenged. Disregard of these stern maxims has been the source of innumerable banking failures with their accompanying distress. "Favor and benevolence" may be properly indulged with one's own money; but a bank—outside its undistributed earnings—has no money of its own. Its funds for the most part belong to the depositors, and the rest to its shareholders. As trustee, a bank is not called on to exercise benevolence, but is primarily charged with fidelity.

Thus it will be seen, that at the very beginning of its career, THE BANKERS MAGAZINE gave its adherence to the fundamentals of sound banking, and in the eighty years of its existence has never departed from them. These principles were not devised by this publication; they grew out of long and trying experiences, and they were finally discerned and clearly stated by the best and wisest bankers and statesmen of the past. But the earlier editors of THE BANKERS MAGAZINE had the sound judgment which enabled them to perceive, and the courage that enabled them insistently to proclaim these principles.

These are times when it is much in fashion to treat the past with irreverence and contempt as representing outworn ideas and exploded notions. But those at present responsible for the conduct of this journal entertain no such feelings toward their predecessors. On the contrary, their wise and courageous devotion to sound principles is clearly recognized and gratefully acknowledged. It is because of the sound basis predecessors laid that, as times changed and the banks vastly increased in number and size, while our wealth grew and the whole economic structure became more complex, it has been possible to meet the demands of these changed conditions while keeping true to principles which must always govern however much circumstances may be altered.

The present vitality of THE BANKERS MAGAZINE may be attributed in no small degree to the fact that the roots of the publication are imbedded in the soil of the past.

#### THE CHANGE 'TWTIXT NOW AND THEN

WHILE the principles on which sound currency and safe banking rest are no different in 1926 from what they were in 1846, the conditions under which these principles operate have greatly changed in this period of eighty years.

In the first place, the banks have grown

THE  
BANKERS' MAGAZINE  
AND  
State Financial Register.

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VOL. I.]

JULY, 1846.

[NO. I.

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THE CONSTITUTIONAL TREASURY SYSTEM.

[Communicated for the Bankers' Magazine.]

You bank men appear to have very inaccurate views of the ground taken by those who are desirous to effect a separation of bank and state. I will, therefore, with your consent, present to your readers a few short articles on the subject.

Our first objection to this union is that it is unconstitutional. Whether banks of issue, incorporated by the states, are constitutional or not, is a question which need not here be discussed. We maintain that even if they are, the design of the framers of the constitution is utterly frustrated by using banks as fiscal agents.

The framers of the constitution evidently had in view a substantive treasury, substantial treasure, and a real treasurer; else why did they say, "no money shall be drawn from the treasury but in consequence of appropriations made by law."

The members of the first Congress as evidently intended to follow up the design of the framers of the constitution, for they, by the act to establish a Treasury department, passed in 1789, declared that "it shall be the duty of the Treasurer to receive and keep the moneys of the United States;" and by their first act for raising a revenue, they declared that dues to the government shall be paid in "gold and silver coin only."

It is much to be regretted that these wise provisions were ever departed from. As matters stand at present, we have neither treasure, treasury, nor treasurer, in the sense intended by the constitution. A mass of debts due to government by banks and individuals, and which may or may not be paid, cannot, with any propriety, be called a treasure. Neither can a four-story building with empty vaults be called a treasury, without a gross violation of the proprieties of language. Nor can the worthy gentleman who

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enormously numerically and in size. The whole number of state banks in 1846 was only 707, with individual deposits of \$96,000,000. Now there are nearly 17,000, with individual deposits of \$12,677,946,000. The whole number of banks of all kinds is now about 28,000, with individual deposits of over \$46,000,000,000.

This statement of banking growth epitomizes the development of the country's wealth in the past eighty years in a very striking manner. The wealth of the country between 1846 and 1920 grew from about \$7,000,000,000 to \$350,000,000,000. During the same period the population increased about five times, the value of manufactures fifty times, and our foreign commerce nearly forty-five times. The value of farm products rose from \$750,000,000 to \$20,000,000,000.

One could go on with these figures almost endlessly, but enough has been told to show the startling material progress of the United States in the past eighty years.

Not only have the banks enormously increased in numbers and size, but the banking mechanism has undergone many changes. The New York Clearing House has been organized, the trust company has developed, the National Banking System and the Federal Reserve System established, a new system of agricultural credit institutions created, and a number of our banks have ventured into foreign fields.

The Independent Treasury, originally established in 1849, was temporarily discarded the following year, but restored in 1846 and existed until 1920.

Not the least noteworthy banking development of this eighty-year period has been the formation of the American Bankers Association and the various state bankers associations, evidencing a spirit of co-operation among banks to which the bankers of 1846 were strangers.

And banking functions have greatly expanded in this time. Things the banker now does for his dealers as a

matter of course—many of them outside the strict domain of banking—had never been considered as a part of the bank's business in those earlier days. Closer personal contact has been established between bank officers and the depositors, tending to make the banker himself far less mechanical and more human. Bank advertising has grown to be an important adjunct of the business, enlisting in its service some of the keenest minds.

These are but a few of the changes between 1846 and 1926. Other remarkable developments have taken place, especially in the field of invention. In 1846 our railway and telegraph were in their infancy, the telephone was unknown; so also, were the typewriter, electric power, electric lights, automobiles, airplanes, radios, etc.

Perhaps the most striking change in the position of the United States remains to be stated. For a period of time long subsequent to 1846, and indeed until very recent years, this country was borrowing heavily abroad in order to provide the capital for developing our natural resources. Now we have largely paid off our foreign debt and have lent, in one way or another, a huge sum to foreign countries. We are, at the moment, the heaviest investor in foreign securities of any nation in the world.

While our public debt has grown, especially since the great war, to proportions that would have appalled the bankers of 1846, there has been such a corresponding increase of national wealth and of our productive capacities that the present Federal debt, while of huge proportions, is not considered as an unbearable burden.

In making a survey of the progress of the United States in the last eighty years we find many gratifying evidences of progress, but this does not signify that all the changes are for the better. The Civil War left us with some money heresies which we have not yet outgrown. Prior to that time, while Treasury notes were issued, they were interest-bearing, and were properly regarded as debts to

be paid. But the Civil War introduced the legal-tender Treasury notes, which still remain; and the silver heresy has grown to much greater proportions than it ever attained in the earlier years of the country's history. Nor has our bank-note legislation, which long tied the currency to the Government debt, even yet given us anything quite so good in principle and in methods of redemption as were the New England bank notes under the Suffolk system. Our Federal Reserve Notes are Government obligations; that is, they are neither true bank notes nor certificates representing an equivalent of their face in gold coin.

Education has spread to all classes in the community, and the masses of the people are no doubt much better informed than they were in 1846. One can be less sure that thinking is more intensive now than it was then. In 1846 there were living some literary men and statesmen not easily matched by the leading lights of the present day.

The standard of living has enormously advanced in the last eighty years. Not only have comforts and luxuries been multiplied many times, but they have been placed within reach of the masses. That this great increase in material prosperity has brought about a corresponding addition to the contentment and happiness of the people—a result naturally to be expected—is not so clear. But there is evidence to the effect that less of political and economic discontent exists in America than is general throughout the world. This would indicate that, relatively at least, our people are well off, and are alive to that fact.

### A BETTER BANKING SYSTEM

**T**HERE is, or should be, but one purpose behind any law that is passed relating to bank organization and management—to give the country a better banking system. It is realized that, to speak accurately, the country has no such thing as "a banking system," and perhaps never will have; there are as

many banking systems as there are states, and more. But there is a general understanding of what is meant when we speak of "the banking system of the United States." It is in this recognized sense that the term is here employed.

In the complex banking organization of the United States, the most important single piece of mechanism is the Federal Reserve System. This does not mean that it exceeds in banking resources either the national banks or the state banks. But in the peculiar character of its constitution and activities it bears a superior relation to both. It is, in a sense, the heart of our banking system.

The Federal Reserve Act became a law about the close of 1913, but it was almost a year before the preliminary work of organization could be completed and the banks put in operation. Meanwhile the Great War had started in Europe, and from the date of their birth until November 1918, or a period of exactly four years, these banks were conducted under the immense strain which the terrible conflict imposed. After April 1917, this country was itself involved in the war.

Although the Federal Reserve Banks were not organized in time to render aid at the outbreak of the war, once they got going they rendered the country an inestimable service. If the Federal Reserve System had nothing else to its credit—and it has much more—the services it rendered the country during the war would fully justify its creation.

The perplexities surrounding the operations of the Federal Reserve Banks during the war did not disappear immediately after the conflict ceased. There was an era of speculation and inflation, followed by a crisis and deflation, which put these institutions to a severe test, which they successfully met. Even now, more than seven years after the end of the war, some of its financial problems remain. The vast debts of the United States and other countries, the change in our position with respect to world finance, the swelling of our gold supply—these are

some of the changes which the war produced.

It requires no argument to show that the entire period embraced in the operation of the Federal Reserve Banks has been of an abnormal character. As these institutions have withstood this period of stress, it might be argued that this indisputably proves their perfect adaptability to all conditions. But a financial and banking system is not primarily designed for war, but for peace. In time of war, whatever banking system exists, extraordinary expedients must be invoked. It suffices if the banking system possesses the flexibility to furnish the desired expansion. But a banking system can not be permanently keyed up to meet these unusual requirements; just as an army, when not mobilized for war, is kept on a peace footing.

After the war ends, a proper system of banking should automatically adjust itself to the more moderate demands of peace. Here, perhaps, is one of the chief difficulties with the Federal Reserve System: it is on a war footing in time of peace; the bridge is much broader than the flood. If this be true, the obvious remedy is to repeal the amendments of 1917, which vastly enhanced the powers of the Federal Reserve Banks.

Even when this is done, it will probably be found that too large a share of the capital and reserves of the member banks has been taken over into the Federal Reserve System. This, at least, is a matter requiring thoughtful attention. There have been some indications pointing to the belief that the original plan of the Federal Reserve System was on too grand a scale for the ordinary banking needs it was designed to serve. The Federal Reserve Banks have found some difficulty in keeping their funds active, and in order to do so have entered into business rather more extensively than the member banks relish.

If the Federal Reserve Banks are to continue to absorb into their coffers so large a proportion of the country's banking capital, and to hold all the legal reserves

of the member banks, this difficulty will not only persist, but a potential element of dangerous credit inflation will hang over the country. This danger can be removed by restoring to the member banks all or part of their reserves taken over by the Federal Reserve Banks in pursuance of the 1917 (war) amendments to the Federal Reserve Act.

Before there is an indefinite prolongation of the charters of the Federal Reserve Banks (something for which no present urgency exists) the entire Federal Reserve Act ought to be overhauled. This suggestion is not made without a full recognition of the many excellent features of this measure, some of which may be enumerated:

1. The joining together of the member banks by which funds are made available for the common service of the banks and the community.
2. Enlarged facilities for rediscounting by which currency panics are rendered practically impossible.
3. Better system of check collections.
4. The gold settlement fund.
5. A more scientific system of currency.
6. Utilization of the Federal Reserve Banks as public depositories, thus getting rid of the outworn sub-Treasury System.

These are some of the outstanding benefits of the Federal Reserve System, which should be carefully preserved.

But we have not as yet reached a desirable position with reference to our banking legislation, and efforts toward that end should not be relaxed until the highest attainable standard has been achieved.

Since the good points of the Federal Reserve System have been enumerated, it is only fair to set down some of its most objectionable features, which are:

1. The fact that the notes of the Federal Reserve Banks are obligations of the United States, thus rendering them available as state bank reserves.
2. The requirement that all of a member bank's legal reserves must be in the



form of a deposit with the Federal Reserve Bank of its district.

3. The placing of banking control in the hands of a board appointed by the President of the United States.

The late William J. Bryan thought it "a great triumph" that the Federal Reserve notes were made obligations of the United States; and it was "a triumph," though not in the sense meant by Mr. Bryan. It was, in fact, a triumph of the age-old fallacy of the potency of the Government fiat as applied to money; the persistent, though mistaken belief in the power of the Government to confer upon some form of money or currency, by legislation, a value which the money or currency does not possess in itself. It is a dangerous heresy of which we have not yet rid ourselves. Paper currency ought to be one of two things, either a coin certificate or a bank note. The Federal Reserve notes are neither; they are of a hybrid character. A coin certificate—a warehouse receipt for gold—is equally good as the gold itself to serve as a banking reserve. This is true because the certificate is in effect the same as gold, the Government holding in trust an amount of gold exactly equivalent to the sum expressed on the face of the certificate. Now, the Federal Reserve notes are not gold certificates; they are required to be secured by only a 40 per cent. gold reserve. They are therefore unfit for banking reserves. But they are widely so used by the state banks. This misuse of these notes is rendered all the more sure because of the fact that they are obligations of the United States. If they were credit bank notes, their availability for this purpose would be greatly curtailed.

The requirement that all a member bank's legal reserves shall be in the shape of deposits in the Federal Reserve Banks pyramids credit and constitutes a strong inflationary potentiality of great danger to the credit stability of the country. This provision of the Act was a war measure, and as such was perhaps justifiable and necessary. The necessity for it

has long since passed. Inflation was encouraged when the percentages of legal reserves were greatly lowered, and was dangerously stimulated when all legal reserves were required to be in the form of loans to the reserve banks. No time should be lost in repealing this provision.

By placing control of the country's banking system in the hands of a board appointed by the President, we have in effect political banking. It is beside the point to cite the case of Judges of the United States Supreme Court, appointed by the President. Any one at all conversant with the banking history of this country must know how strong will be the political pressure put upon the banking system in times of stress.

Just now we are in the midst of demands for price stabilization by the Federal Reserve Board, as if prices were controlled by credit instead of by a multitude of factors, of which credit is but one, and not the most important. Here we have again an exemplification of the menace which continually attaches to the mistaken belief in the power of the Government to regulate prices, and practically everything else.

The banks of the country should be run by bankers, and not by the Government, and this is just as true of the Federal Reserve Banks as of any others.

But neither the Federal Reserve Act nor any of our numerous state laws have even measurably achieved the most desirable improvement in our banking system—making the banks better. Giving all due credit to legislation and supervision, it may almost be said that these expedients have broken down, and that where there has been really efficient banking supervision it has been provided by the bankers themselves, through their clearing-house organizations. The number of bank failures annually occurring will be reduced as this system is extended.

These considerations, if they are founded in truth, should lead to a capable study of the Federal Reserve Act

[Continued on page 855]



## WHY THE RESERVE BANK CHARTERS SHOULD BE RENEWED NOW

BY ANDREW W. MELLON

**T**HE Federal Reserve System is in the twelfth year of its existence. The life of the original charters of the banks was twenty years; they have, consequently, only about eight years to run.

The renewal of the charters of the Federal Reserve Banks as a matter for current action has been in the minds of various groups in the country, especially the banking fraternity, for more than a year. The American Bankers Association at its Atlantic City Convention last September adopted resolutions urging upon Congress the early renewal of the charters of the Federal Reserve Banks on an indeterminate or ninety-nine year basis. The Merchants' Association of New York adopted similar resolutions last November, and opinion of this character has been expressed in various quarters.

A first legislative move toward renewal has recently appeared in an amendment to the McFadden Bill as reported back to the Senate by the Committee on Banking and Currency. The amendment reads as follows:

"Sec. 20: That the second subdivision of the fourth paragraph of Section 4 of the Federal Reserve Act be amended to read as follows:

" 'Second—To have succession after the approval of this Act until dissolved by act of Congress or until forfeiture of franchise for violation of law.' "

Nothing in the whole banking field is of so much genuine importance to the country as the continuance of the Federal Reserve System. During their brief existence the Federal Reserve Banks have demonstrated beyond any doubt their value to the nation. In other countries banks of issue had long provided continuous credit leadership. But here no agency for the performance of this function existed before the establishment of the Reserve System; no one was responsible for the regulation of general credit conditions. With national

banks restricted to a currency secured by Government bonds, and with the country's gold reserves scattered among thousands of separate banks, each working for its own interest and each organized for profit, no continuous common credit policy was feasible. In times of emergency, when some joint action was imperative, powerful private individuals and the clearing-houses took command of the situation and enforced some plan for a short period. Now, however, the Reserve System, in addition to the per-



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ANDREW W. MELLON  
Secretary of the United States Treasury

formance of other manifold necessary functions, provides a basis for an American banking policy and constitutes an organization not operated for profit, continuously interested in the country's banking welfare.

In spite of the enormous service which the system has rendered to the country during and since the war, there are some individuals who believe that the system has not operated to their advantage or has been operated too greatly to the advantage of some other group. While this has been due in a few cases to jealousy of the system, it has been more frequently founded on a lack of understanding of our credit structure and the functions of a reserve bank. It is inconceivable, however, that such opposition should be sufficiently strong to defeat renewal, for who would wish to return to the old panic-breeding system with its inelastic currency?

#### BASIC ASSAULT FUTILE

Nothing could seem more futile certainly than any basic assault on the Reserve Banks. But as time passes and the expiration of the charters approaches, influences antagonistic to the system will find it easier and easier to insist on alterations in the Reserve System as the price of renewal—alterations which ought to be judged purely on their own merit. The question of amendment is a subject upon which there is room for legitimate difference of opinion. Suggested alterations in the system should be carefully considered and their probable effects on the system studied by Congress. This is a matter calling for time and consideration. Any effort to make renewal conditional on, or to involve it in, what may prove to be the lengthy matter of amendment would be most unfortunate and possibly even disastrous.

The every-day welfare of our business world has become dependent on the proper functioning of the system and on the confidence in its future which renewal would strengthen and solidify. Early action on the part of Congress

giving definite assurance of the continued existence of these banks will contribute in very large measure to the safety and the undisturbed business progress and prosperity of the United States. The banks and the business world generally have a right to the assurance that the Federal Reserve System is to be continued, and should be relieved from the disturbing influence of any uncertainty as to the country's future banking organization. Business would then be secure in the knowledge that the existence of the system would not be endangered by any controversy, political or otherwise, which might arise concerning any changes to be made in its operation, and the nation and the world would then realize that the system is destined to grow to its full stature of strength and usefulness.

The renewal of the charters of the Federal Reserve Banks does not place them beyond further statutory improvement. An indefinite extension of the charters of these banks does not confer upon them the equivalent of an irrevocable franchise; Congress would still retain authority at any time to abolish the system, or, as has already been done seventeen times, to amend the act.

#### WHY EARLY RENEWAL OF CHARTERS IS DESIRABLE

As Reserve Bank charters still have eight years to run, the recommendation for a renewal may possibly appear a bit premature. It is eminently wise, however, to bring up this question at a time when it can be considered wholly on its own merits. Postponement of action until the charters are about to expire might find the banks facing an economic situation like that of 1920-21. In that event renewal could hardly be obtained without bargaining and concessions that might be politically necessary but economically indefensible. While action by this Congress is not necessarily required, the present seems an advantageous time for raising the question. The country

[Continued on page 857]



# WHY THE RESERVE BANK CHARTERS SHOULD NOT BE RENEWED NOW

BY CHARLES N. FOWLER

**I**N answer to the question "Should the Federal Reserve Banks be Rechartered Now?" the writer's reply is most emphatically "no," for the following reasons:

It is now about eight years before these charters expire; therefore, there is no need for such haste.

There is no claim or pretense, so far as the writer knows, that the management of these banks is guided by any principles whatever.

In a conversation with one of the leading bank writers of New York City, he said to the writer in answer to the inquiry: "Do you think they are guided by any principles whatever?" "No, I do not think they are; at least, there is in my judgment, no evidence that they are. There is no consistency in what they do from time to time."

This opinion is confirmed by the statement of Dr. A. C. Miller of the Federal Reserve Board, when speaking before the Banking and Currency Committee upon the Strong stabilization bill. Dr. Miller admitted they were guided by no stated policy and "the members of the Federal Reserve System are not economic statesmen, \* \* \* and they are frequently in the dark as to the consequences of their acts." These and other bits of evidence confirm what the writer said in a recent article printed by the *Commercial and Financial Chronicle*.

"The soundness of the financial and banking system of any country will be determined by the recognition of the three following principles:

"First—*The state of the currency in the country.* (Under normal conditions our present currency situation must prove fatal.)

"Second—*The state of the international exchanges of the country.*

"Third—*The wise exercise of that potential and all-controlling factor, fixing the rate of discount.*

"No one will claim that these have been the 'land marks' and controlling principles of the Federal Reserve Banks.

"The office of a central banking institution is to lead and direct in accordance with these great fundamental and well-recognized principles; not to dominate; not to dictate; not to establish a parental banking system of imperial power with all the incidents of such power—a most vigilant espionage and a most cruel vindictiveness, even to the ruin of a bank if necessary.

"With such institutions, 'Necessity knows no law,' and ignorance is always brutal. Such is our central banking organization today; such is the supposed bank of the American people. I assert that the organization is neither in harmony with the spirit of the American people nor in harmony with our Governmental institutions, which is the very first essential of all wise legislation."

There is so much in the Federal Reserve Act that is fundamentally unsound and admittedly so, that it would not only be gross negligence to fail to correct it by eliminating these elements but criminal negligence, if so strong a word can be applied to such a disregard of an obvious duty.

Then again, much has been brought out in the recent hearings before the Banking and Currency Committee upon the Strong bill that should be carefully weighed and considered.

WHAT WISDOM AND DUTY DEMAND

Instead of rushing madly into the re-

enactment of any part of the Federal Reserve Act before it has been duly considered, the highest wisdom, true conservatism, genuine patriotism, unflinching courage, the conclusive banking experience of more than 200 years, the proved and established fundamental principles of banking economics, all unite in demanding that we study, investigate and arrive at our final judgment with every doubt eliminated. We cannot be too careful at this particular juncture in our banking legislation, lest we blindly fly in the very face of fate; lest we challenge and defy Gresham's Law, which is as immutable and certain in its operation as the law of gravitation. You might just as well challenge and defy the law of gravitation by jumping off the roof of a twenty-story building and not expect utter destruction, as to re-enact the Federal Reserve Act as it stands and not

expect overwhelming disaster as a consequence.

If by any mischance or fatal mistake the twelve Federal Reserve Banks should be re-chartered as they now stand, this country will pay for every inherent violation of economic principle and economic law, in bitter experience, for, not until we have suffered the full measure of retribution for our mistake, will any change be thought of—because that is the nature of property—that is more specially and particularly the nature of property expressed in a dollar. It brooks no change until sad necessity compels it.

All experience demonstrates this fact. Therefore, let us be wise and change the act before any part of it is re-enacted. While immediate re-enactment will, in the writer's judgment result in overwhelming disaster, no possible injury can result from delay and correction.

## MORE BUSINESS IN GOVERNMENT AND LESS GOVERNMENT IN BUSINESS\*

BY ALBERT C. RITCHIE

**N**O problem of modern political life presents more difficulties than that of determining the sound relations of business and government.

Misunderstanding of these relations can be almost as dangerous as their actual abuse.

Business justly rebels against all the paternalism that government tries to exercise over it, but the cardinal mistake business makes is in saying "business is business" and "politics is politics," and on looking upon government too much as a thing apart or as a necessary evil. You cannot condemn politics without condemning government. Politics is public business. This means that business should develop a higher sense of political responsibility. The power and training of business, the ability, the energy, the fidelity that go with it, should be more available to the state.

The United States is the greatest business nation in the world, but its govern-

ments, both state and national, do not reflect its business leadership. Here waste and extravagance and inefficiency and indifference flourish to an extent that business itself would not endure for a moment. Only the earnest public official, who has tried to remedy these conditions and to combat all the factors, human and political, and all the inertia, tradition, custom and public indifference which make these conditions possible, can realize what it would mean if business itself gave the proper support and impetus. If business unselfishly recognized its political obligations as it should, it would be the one force in the state that could measurably cure these evils. When the business interests of this country once really mean what they say in demanding "more business in government," then will government be more business like.

\*From a recent speech before the United States Chamber of Commerce.



## PIONEERING IN THE AMERICAN INVESTMENT TRUST FIELD

BY LELAND REX ROBINSON

FOR the United States the investment trust is both very old and very new. As a creative force in the upbuilding of American industry, it has exerted an enormous influence, especially in the last two decades of the Nineteenth Century and the first decade of the Twentieth. As a medium of investment for the American public, it is essentially a development of the last five years.

There are still, in London and Edinburgh, a few revered financial leaders whose active experience carries them back to the Seventies and Eighties, when a sturdy young nation, emerging from Civil War chaos, drew heavily upon the accumulated capital of British investors for the rapid expansion of its railways, public utilities, and industrial enterprises. In as true a sense as the empire builders of our great West, these men, too, were pioneers in their way, pioneers, that is, in introducing to their own investing clientele the securities arising from this phenomenal economic activity in the New World. With the passing of these men, whose activities so widely—and on the whole so wisely—extended the horizon of the English and Scottish investor, and whose lives are

synonymous with the development of British investment trusts, there is being lost to our country, as well, a generation of foreign financiers intimately informed concerning the financial bases of American business.



LELAND REX ROBINSON  
Vice-president International Securities  
Trust of America.

It is probably not far from the truth to say that in 1914 fully 90 per cent. of the £75,000,000 to £100,000,000 capital of Great Britain's public investment trusts was invested in overseas holdings, and that to the outbreak of the war nearly half of this amount represented the purchase of corporate and governmental bonds, mortgages, and shares originating in the United States. When it is borne in mind that on the average the capital of British investment trusts is probably completely

turned over in the process of reinvestment, every three to six years, the reader can readily visualize the importance of these institutions during the last half-century in popularizing American securities in London and in providing credit for American enterprise.

What British investment trusts have thus done in opening up new investment channels, foreign and domestic, for the enormous funds created by international trade and pre-war business expansion.

is only typical of developments on a smaller scale in any other highly industrialized or prosperous country. In Belgium, for instance, the place of the British investment trusts, and of those numerous London financing concerns combining issuing and managing, with purely investment, activities, is taken by the great banks, and by institutions which might be referred to as "financing investment trusts." The Overseas Bank of Brussels, for instance (*Banque d'Outremer*), reveals the following distribution of risk among the securities held in its portfolio in 1924.

BANQUE D'OUTREMER (Brussels)

Distribution of Risk in Portfolio

(Common Shares)

By countries

|  | Per cent.<br>of total<br>portfolio |
|--|------------------------------------|
| Belgium .....  | 54.27                              |
| Belgian Congo .....  | 15.48                              |
| China .....  | 5.43                               |
| France .....   | 3.22                               |
| Grand Duchy of Luxembourg .....                              | 10.40                              |
| Holland .....  | 4.84                               |
| Dutch Colonies .....   | 1.90                               |
| Portugese Colonies .....                                     | 1.48                               |
| England, French Colonies, Greece,<br>Italy, and Russia ..... | 2.98                               |
|  | 100.00                             |

By types of enterprise

|   | Per cent.<br>of total<br>portfolio |
|---|------------------------------------|
| Banks and financial institutions ....   | 14.84                              |
| Trading companies .....   | 8.05                               |
| Maritime and river transport .....  | 6.16                               |
| Railways .....  | 7.53                               |
| Tramways .....  | 4.57                               |
| Collieries .....  | 6.91                               |
| Mines .....   | 1.53                               |
| Petroleum .....   | 2.22                               |
| Construction industries .....   | 1.70                               |
| Coke .....  | 3.18                               |
| Metallurgical enterprises .....   | 12.14                              |
| Construction workshops .....  | 10.57                              |
| Electrical power .....  | 7.32                               |
| Wireless telegraphy and telephony,<br>textile manufactories and sugar re-<br>fineries ..... | 8.69                               |
| Colonial plantations .....  | 4.05                               |
| Miscellaneous and insurance .....   | 0.54                               |
|   | 100.00                             |

Among other Belgian institutions not doing a general banking business, but concentrating their activities in acquiring securities, at home and abroad, and building up equities, to be retained, or disposed of at a profit, might be cited such financing investment trusts as the "Societe Financiere de Transports et d'Entreprises Industrielles" (Financial Society for Transportation and Industrial Enterprises), the "Societe Generale Belge d'Entreprises Electriques" (The General Belgian Society for Electrical Enterprises), and the "Societe Generale de Chemins de Fer Economiques" (General Society for Electrical Tramways).

Comparable with the latter are the French "Societe Centrale pour l'Industrie Electrique" (Central Association for the Electrical Industry), and the "Societe Generale d'Entreprises" (General Society for Enterprise), both associated with the above mentioned Belgian "Societe Financiere." In Switzerland also—frequently with the backing of German interests—financing companies and "financing investment trusts" have assumed great importance, and many are the institutions developed by this thrifty little country in mobilizing and exporting her capital. Among them may be noted several whose interests have been more particularly in the United States and Canada—such as the "Societe Financiere pour Entreprises Electriques aux Etats Unis" (Financial Society for Electrical Enterprises in the United States), which has had a number of resident directors in New York and has been interested in the American and Foreign Power Company, and the Pacific Gas and Electric Company. Further illustration is afforded by the "Societe Financiere Suisse Americaine" (Swiss American Financial Society). The distribution of investments of this company as of December 31, 1923, is shown in the table on page 811.

In view of the substantial support thus given to American enterprises from Europe in the pre-war decades when the United States was still a borrowing coun-



A view of the principal statistical office of the American Founders Trust and the International Securities Trust of America. The investment analysis division of these trusts comprises more than thirty workers and includes experts of America and six foreign nationalities.

SOCIETE FINANCIERE SUISSE AMERICAINE

Distribution of Investments by Type of Security

|                                  | Per cent.<br>proportion<br>of portfolio |
|----------------------------------|---|
| Industrial and other bonds ..... | 56.95                                   |
| Railway bonds .....              | 14.65                                   |
| Government obligations .....     | 10.80                                   |
| Preferred stock .....            | 6.45                                    |
| Common stock .....               | 11.15                                   |
|                                  | 100.00                                  |

Geographical Distribution of Investments

|                          | Per cent.<br>proportion<br>of portfolio |
|--------------------------|---|
| North America .....      | 35.95                                   |
| Mexico .....             | 1.95                                    |
| Argentine Republic ..... | 6.15                                    |
| Switzerland .....        | 3.95                                    |
| Other .....              | 52.00                                   |
|                          | 100.00                                  |

creditor position should be accompanied by the development among us of somewhat similar investment trusts and financing companies, interested in foreign, quite as much as domestic, securities. Just as there have long stood, between the British investor and the issuing overseas governments and corporations, these co-operative investment agencies, offering skilful management and broad distribution of risk, so in the future it seems probable that the investment trust principle will be increasingly applied in facilitating and wisely directing the export of American capital. This is exactly what is happening today.

INVESTMENT TRUSTS IN THE UNITED STATES

It would be a mistake, however, to assume that the only significance of the investment trust lies in the field of for-

try, it seems not only natural, but indeed inevitable that the assumption of a world

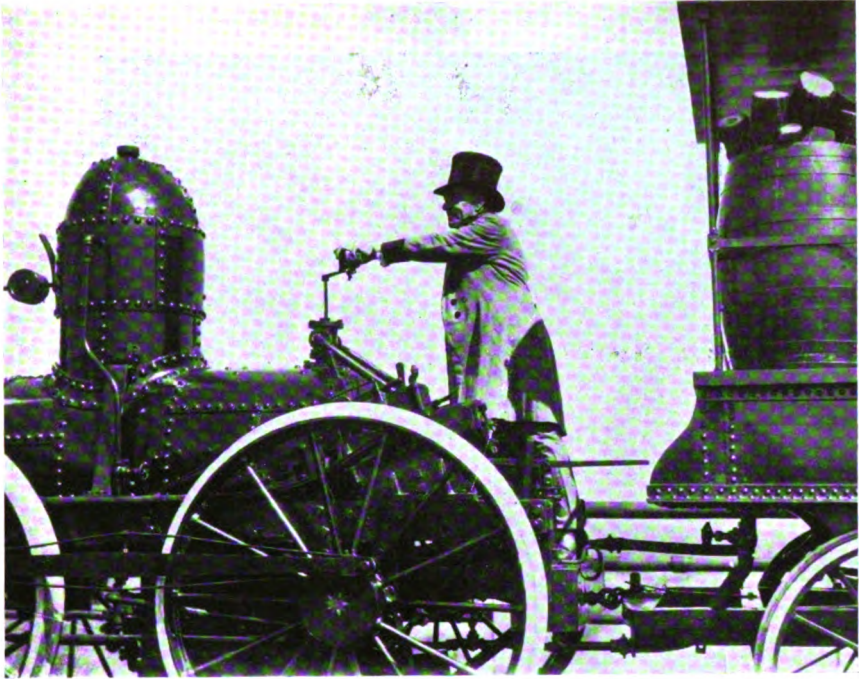
[Continued on page 857]





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ON THE OCCASION OF A GREAT RAILROAD'S CENTENNIAL  
CHAUNCEY M. DEPEW (at right) chairman of the board, and P. E. CROWLEY,  
president of the New York Central Lines, discuss the one hundredth anniversary  
ceremonies of the New York Central. In the background is a famous painting  
of Commodore Cornelius Vanderbilt.



© KADFL & HERBERT

The De Witt Clinton, king among locomotives in 1826, takes the rails a century later during the celebration of the one hundredth anniversary of the New York Central Railroad. This was the first locomotive of the Mohawk and Hudson Railroad, the original unit of the New York Central.



© KADFL & HERBERT

The first train of the New York Central as it appeared in 1826, reproduced as a part of the pageant celebrating the one hundredth anniversary of that road.



C. STANLEY MITCHELL

President of the Central Mercantile Bank, New York

**F**EW bankers can point to a record equalling that of C. Stanley Mitchell, under whose presidency the Central Mercantile Bank, New York, without consolidation or absorption, has increased its resources from \$3,000,000 to \$30,000,000 in two years. He was the guest of honor at the second anniversary dinner of the bank held recently at the Union League Club, New York, which dinner was attended by many leading business men of New York. Mr. Mitchell was born in Rochester, N. Y., in 1882, and began his career twenty years ago with the old Astor National Bank of New York. He then moved to the Century Bank of New York as cashier, and later vice-president. When the Chatham Phenix National Bank and Trust Company, New York, absorbed the Century Bank, Mr. Mitchell became a vice-president of the Chatham Phenix, and remained with that bank for ten years, until May 1, 1924. He resigned then to assume his present position as president of the Central Mercantile Bank. With all the activity involved in bringing in \$27,000,000 of new business in two years, Mr. Mitchell found time to serve as president of the Central Mercantile Association, as a member of the executive committee of the Fifth Avenue Association, New York, and as president of the Aldine Club, as well as serving on the directorate of numerous corporations and banks.



## HOW FAR WILL THE BANK MERGER MOVEMENT GO?

BY GEORGE W. EDWARDS

THE year 1925 is notable in the economic history of the United States for the many important mergers among business concerns. The present year has already been marked by similar combinations among leading financial institutions. The question is, therefore, being seriously raised whether these individual banking mergers foreshadow a general movement toward consolidation in the field of finance and to what extent such a tendency will develop. The answer to these questions may in part be found in an examination of similar movements in other countries, particularly in England and on the Continent. This article will, therefore, analyze the amalgamation tendency abroad with a view of determining conditions of similarity and difference which would directly affect the merger movement in this country.

### AMALGAMATION IN GREAT BRITAIN

The need of developing a more extensive system for providing British credits in international finance was the underlying motive of the amalgamation movement which has fused the British banking structure into six vast units. The necessity for united financial action is nowhere greater than in the international field. Here the keenest form of competition is encountered, and a division among the banks of the same country may bring serious harm to the national interests. The Germans learned this lesson early and in the years before the war they had developed a fully centralized banking machinery for financing the import of needed raw materials and the export of finished goods. The larger British banks had felt the competition of this united

international credit system of the Germans, and even before 1914 the movement for similar amalgamation was well under way.

True, concentration as a purely domestic movement had been in progress for over a century, and was accelerated in the early half of the nineteenth century by the development of the corporate form of business organization. The tendency toward concentration in British industry in turn stimulated a similar movement in banking. Moreover, the small geographic area and the general economic unity of England facilitated such a movement.

### THE PRIME FORCE BACK OF BRITISH MERGERS

However, the prime force which brought about the amalgamation movement was the need of unity in financing foreign trade. This was fully appreciated by the British public, and for this reason there has been little opposition to the bank consolidation movement. Foreign trade is of greater relative importance than domestic business to the British and so any system which facilitates overseas transactions is assured of popular support.

Besides bringing about unity in foreign financing, the amalgamation movement has resulted in the creation of large institutions able to grant credits in sums which a smaller institution because of its limited resources could not very well extend. The British banks are now able to give credit facilities to a single foreign borrower in an amount which not even a large New York bank could extend without calling upon other institutions for their participation. Thus while a

British bank could readily grant a credit of £1,000,000, an American bank would find it advisable to seek the co-operation of its friends, as is done in the case of syndicate credits for the exportation of cotton and other commodities. Furthermore, the portfolios of large banks are more diversified than those of smaller institutions, and foreign risks are more widely spread.

#### THE "REVOLUTION OF 1918" IN ENGLAND

These various motives, all relating to the need of financing foreign trade, underlay the intensive movement for concentration which took place in 1918. In that year the tendency was so great that it became known as the "Revolution of 1918." The London City and Midland Bank took over the London Joint Stock Bank; Lloyds obtained control of the National Bank of Scotland and the London and River Plate Bank. Barclays in turn absorbed the London Provincial and South Western; Parrs and Westminster Banks fused; and the Union Bank of London was absorbed by the National Provincial Bank. Finally an out-of-town merger between Martins Bank and the Bank of Liverpool created the one great provincial institution outside of London's "Big Five."

It is interesting to inquire first whether in the absence of a further combination of the big banks, there has been any movement to develop a community of interest among them. Institutions to achieve this end have been in existence for many years in the form of the London Clearing House and various banking organizations. The clearing house had been in operation for a century and half before 1914, but in this time it had functioned only as a mechanism for mutual exchange of obligations among the member banks. However with the outbreak of war, the clearing house was used as an association for obtaining more unified action among the banks in aiding the government. Thus the work of obtaining subscriptions to the war loans was organized through the clearing house.

This institution has continued to function as a convenient mechanism for developing a more unified policy among the member banks.

#### A MOVEMENT TO DEVELOP UNITY OF ACTION

In addition, there has also been a movement to develop a certain degree of unity of action among the British banks through more informal organizations. Before the war many of the provincial banks belonged to the Association of English Country Bankers formed in 1874, while most of the London institutions were members of the Central Association of Bankers started in 1874. Both were loosely organized groups with powers not clearly defined, and did not exercise any important influence.\* Since the war these two bodies have been merged into one organization known as the British Bankers Association. In many respects it may be compared to the American Bankers Association, representing the commercial credit institutions of the United States. It must, however, be remembered that the latter is composed of several thousand members and so has sought only general aims such as the enactment of federal and state legislation, the education of bank employes, etc. Because of its diversified membership including both large and small banks, national and state institutions, it would be manifestly impossible for the A. B. A. to carry through any form of unified program leading to centralized banking. The British Bankers Association on the contrary is composed of only a few members which have many interests in common, and so the organization may well serve as a medium of attaining close co-operation in banking policies. Much unity of action has already been attained in standardizing wages, and working conditions of bank employes.

The concentration movement among the banks has been followed by a similar

\*National Monetary Commission, vol. VIII p. 265.

tendency toward organization on the part of bank workers. In recent years there has been a determined movement to organize this class of labor which had formerly regarded itself rather as a professional group, and so not in sympathy with the trades. The Bank Officers Guild, as the bank clerks' organization is known, now includes in its membership employes of practically all the joint stock banks and deals directly with the British Bankers Association.\*

#### ATTITUDE OF BRITISH PUBLIC TOWARD AMALGAMATIONS

While the movement toward banking concentration has thus resulted in a strong organization of bank employes, it is difficult to note any serious resistance to the former from the general public. In 1918 when the great amalgamations were in progress, a Treasury Committee was appointed to investigate the situation and it submitted a brief report which was on the whole favorable to the concentration movement. However, the committee recommended that Parliament pass a law requiring the permission of the Government before any further amalgamations could be completed.† Notwithstanding these recommendations, the proposed statute was never passed, although the British public is quite generally under the impression that such deterring legislation exists. However, the well known Cunliffe Committee did exercise a sort of voluntary control, and, as stated by the *London Times* (February 11, 1921, 17G), "No amalgamation of even the very smallest kind was completed until the whole proposal had been submitted to the committee and thoroughly examined in every detail. Suggestions made by the committee were in every case readily adopted, in some instances amalgamations were deferred to a more convenient time. In only one

\*See files of the *Bank Officer*, a publication of the guild.

†See article on British banking in the *Encyclopedia Britannica* p. 336, ed. of 1922.

case was an amalgamation refused, because of objection by another government. That amalgamation never went through."

It is indeed remarkable that this amalgamation movement has met with so little opposition from the government, notwithstanding the growth of the Labor Party since the war, and its coming into power in 1923. There have been numerous interpellations in the House of Commons at various times about the London banks, but these questions have been largely concerned with the adequacy of their credit policy, for certain members of the House, particularly of the Labor group, were strong in the belief that the widespread unemployment of the British workers might be relieved through more liberal advances to industry by the joint stock banks. These expressions of opinion were not followed by any parliamentary action except the various proposals embodied in the Trade Facilities Acts.‡

#### SUB-RELATIONS BETWEEN GOVERNMENT AND THE "CITY"

In general the relations between the government and the "City" have been friendly. Many of the directors of large banks take an active part in public affairs and quite a number have seats in Parliament. Even during the period of the Labor regime there was every evidence of co-operation. The annual reports of the chairmen of the big banks in January 1924,§ uniformly pledged their support to the new Labor Government and the debates in the House of Commons are noticeably free from attacks by bankers as Conservative members upon the ministry. At the same time the MacDonald Cabinet did not enter upon a policy of hostility to the City until the

‡See report by the author on "Financing Agricultural Exports for the United States," Trade Information Bulletin No. 241, Commerce Reports.

§See the *London Economist and Statist*, 1924.

summer of 1924, when this apparent truce was broken by the issue over the Russian Commercial Treaty and the proposed credit which had been promised by the government.\*

#### AMALGAMATION ON THE CONTINENT

Bank amalgamation on the Continent has progressed in varying degrees in the several countries and so the movement can best be considered not by viewing the Continent as a whole but rather by tracing the tendencies in the leading commercial countries. Attention will, therefore, be directed particularly to Germany, France, Belgium, Holland and the Scandinavian countries.

As mentioned before, the movement for bank consolidation found its beginning in Germany. After the political unification of the German Reich in the 'seventies, economic unity was attained through the formation of "cartels" or trusts in many of the leading industries. This movement was soon followed by a similar tendency in finance. Several of the larger Berlin banks spread out into the industrial centers where in some cases private banks were absorbed and made integral parts of a network of branches or on the other hand alliances or commandites (silent partnerships) were formed with local financial institutions. During the war this movement was further accelerated and, as in England, there were several combinations between some of the larger banks, particularly the merger of the National Bank fur Deutschland and the Darmstadter Bank. As a result the financial power of Germany is to a large extent controlled by the great Berlin banks including the so-called "D" banks, namely the Deutsche, Disconto Gesellschaft, the Dresdner and the Darmstadter National Bank, as well as the Commerz und Private and the Mittel-Deutsche Credit banks.

#### BRANCH BANK OPERATION IN GERMANY

The branch system as operated by

these German institutions differs in certain respects from that developed in England. The latter system is so intensively organized that the local branches have little initiative and their affairs are strictly controlled from the head office in London. However Berlin rules the provinces with a more lenient hand, for most of the German banks have preferred to delegate responsibility to "hauptfiliale" or main branches which in turn direct the activities of the smaller offices in their immediate territory.

The large German banks are members of the "Stempelvereinigung" (Stamp Association) and also of the "Centralverband der Deutschen Bankier" (Central Association of German Bankers). The German banks have shown a remarkable spirit of co-operation, and this policy to a large extent prevented a collapse of the private financial system during the troublesome period since 1914. It is indeed remarkable that such a highly industrialized state as Germany was able to pass through the successive crises of war and post-war finance without the failure of a single large bank.

#### THE BANKING SYSTEM OF FRANCE

In a general way the banking system of France may be divided into two groups, as in the United States. In this country the leading financial institutions are the investment houses and the state and national commercial banks. In France the "banques d'affaires" perform the investment functions of underwriting and distribution, while the "banques d'escompte et de depots" assume the commercial operations of discount and deposit. The former institutions conduct no branches, but the latter, particularly the Credit Lyonnais, and the Societe Generale, have developed an extensive system all over France. This movement has made the greatest progress since the war when many of the smaller banks found themselves in difficulties and preferred absorption to destruction. How-

[Continued on page 866]

\*See files of the London Times, Manchester Guardian, August, 1924.

SPECIAL HISTORICAL SECTION

**THE BANKERS  
MAGAZINE**

1846

EIGHTIETH ANNIVERSARY

1926

SEEKING NEW BUSINESS ON OUR RECORD

For more than a century the  
Chemical Bank has stood  
forth in the banking activi-  
ties of the nation strong as a  
Gibraltar of gold

SEEKING CLIENTS WHO ARE SEEKING  
STRONG BANKING CO-OPERATION

24  
8  

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192  
15  

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960  
192  

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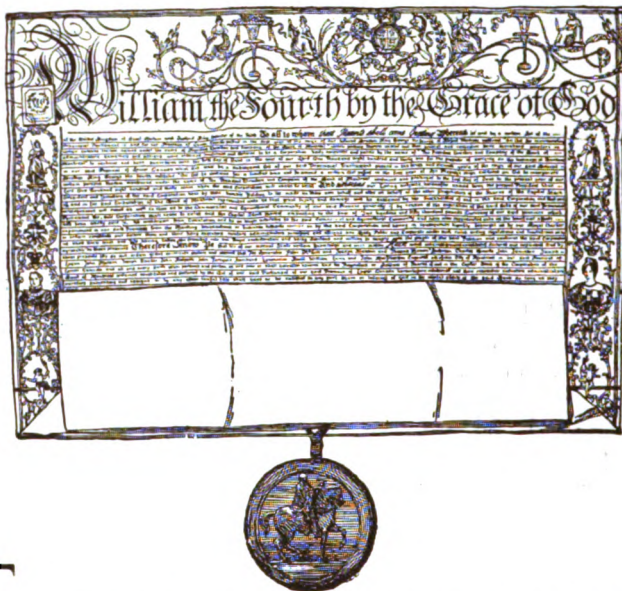
2880

THE  
**CHEMICAL**  
NATIONAL  
**BANK**  
OF NEW YORK

B'WAY at CHAMBERS, FACING CITY HALL  
FIFTH AVENUE at TWENTY-NINTH STREET  
MADISON AVENUE at FORTY-SIXTH STREET



# A CENTURY OLD CHARTER



**T**HE original Royal Charter of the Bank of Montreal, bearing the seal of William the Fourth, is well preserved in the Bank's museum.

During more than one hundred years since this Charter was granted, the Bank of Montreal has gone steadily on its course, serving the people of Canada and enjoying the unshaken confidence of successive generations.

*The Bank of Montreal was founded in 1817 and is the oldest Bank in Canada. Its Assets are in Excess of \$750,000,000.*

## **BANK OF MONTREAL**

**Head Office : MONTREAL**

***Over 600 Branches throughout the Dominion***

**New York Agency : 64 Wall Street**

**Chicago : 27 South LaSalle Street**

**San Francisco : British American Bank, 264 California Street**

*Inquiries from American Banks and Business Houses are invited*



FIRST HOME OF BANK OF NEW YORK & TRUST CO.

## An Outline of Our History

**O**N March 15, 1784, a group of citizens met at the Merchants' Coffee House and organized the Bank of New York. The first officers were elected at this meeting and a constitution written by Alexander Hamilton, a member of the first board of directors, was adopted.

Since that time the history of the bank has been a story of progress and service to the community. Six months after opening for business a dividend was declared, and no dividend has ever been passed except in 1837, when by act of the Legislature no dividends could be paid by the State Banks.

In 1922 the bank enlarged its usefulness by consolidating with the New York Life Insurance and Trust Company, founded in 1830, and became the Bank of New York and Trust Company.

The present institution makes a special appeal to those who are looking for stability and conservative banking methods.



## Bank of New York & Trust Co.

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

Main Office  
52 Wall Street

Foreign Department  
48 Wall Street

Madison Avenue Office  
at 63rd Street



## History

Early in 1867 a group of pioneer business men organized a bank to serve the commercial needs of Canada. The same sound and progressive principles that guided its founders have been evident throughout the development of the Bank to an institution of national service and of international status.

*536 Branches in Canada and Newfoundland*

*Branches in the United States:*

New York    San Francisco, Cal.    Seattle, Wash.    Portland, Ore.

*Branches Elsewhere:*

|  |                        |
|--|------------------------|
| London, England,<br>(2 Lombard Street) | Rio de Janeiro, Brazil |
| Bridgetown, Barbados                   | Kingston, Jamaica      |
| Port of Spain, Trinidad                | Havana, Cuba           |
|  | Mexico City, Mexico    |
|  | St. Pierre, Miquelon   |

Capital Paid Up .....\$20,000,000

Reserve Fund .....\$20,000,000

## The Canadian Bank of Commerce

HEAD OFFICE and FOREIGN DEPT.,  
TORONTO, CANADA

New York Agency, 16 Exchange Place, New York City  
C. J. Stephenson, J. Morton, P. H. Nowers, Agents



*New Building, The Bank of America, at Wall, William and Pine Streets, New York City, which will be completed in July. This structure is the fourth building on the same site to house The Bank of America since 1812.*

# A CENTURY'S HISTORY in AMERICAN BANKING

**F**OR fourteen years more than a century The Bank of America has played an important part in the financial and business affairs of city, state and nation.

Alike through peace and war, prosperity and panic, this bank has passed with increasing strength. Today its resources exceed \$200,000,000; its connections reach out to world markets and provide a service of nation-wide and international proportions.



*First Building occupied by The Bank of America at Wall and William Streets, New York.*

**THE BANK OF AMERICA**

ESTABLISHED 1812  
NEW YORK CITY

The first "Safe"  
of the  
*Bank*  
for  
*Savings*  
in  
1819



and the Treasurer took  
it home every night—for safe-keeping!

**T**HIS primitive method of guarding our funds answered well enough in its day. Now it merely serves to illustrate how far modern bank equipment has advanced beyond the comparatively primitive times of 1819. While the services of the Bank for Savings have correspondingly expanded, the sound principles upon which the institution was founded have remained unchanged.

Just pride is taken in the bank's history—not simply as measured by the flight of years—but in the evidences of growth and increased usefulness, as shown by the number of depositors and the amount of deposits. On July 3, 1819, there were 80 depositors, with \$2,807 to their credit; now there are 126,936 depositors, with \$137,336,000 to their credit. Assets, protecting depositors, of \$162,691,000.

The Bank for Savings has paid continuous dividends to its depositors for more than 106 Years.

CHARTERED 1819

*The* **BANK** for  
**SAVINGS**



*Surplus and Undivided Profits \$25,200,000.00*

280 Fourth Avenue, S. W. Corner of 22nd Street, New York

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**106 YEARS OF CONSTANT GROWTH**

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CHARTERED 1799

**T**HE history of the Bank of the Manhattan Company is well known to the banking world. In 1779, when it received its original charter, there were only two banks in New York City.

The development of the Bank of the Manhattan Company during recent years has been exceptional.

The Bank of the Manhattan Company became a member of the Federal Reserve System in 1917.

In 1918 it acquired the Bank of the Metropolis at 31 Union Square, thereby providing an office for the bank in the central-up-town business section. In 1920 it acquired the Bank of Long Island with several branches, distributed throughout the growing industrial centers of Queens Borough. Later in 1920 the bank acquired the Merchants Bank.

With the foregoing acquisitions the capital of the Bank of the Manhattan Company was increased to \$5,000,000.

In 1922 a stock dividend of one hundred per cent. was declared, increasing the capital to \$10,000,000.

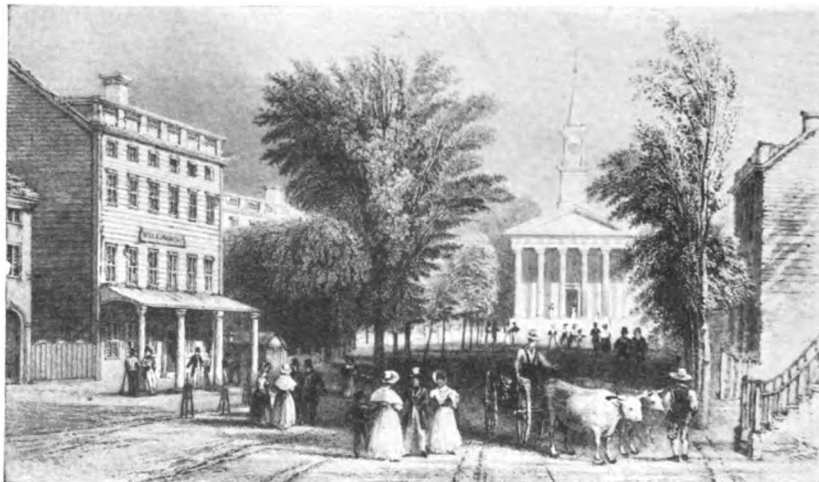
The bank now has a surplus of \$10,000,000, undivided profits of \$5,000,000, deposits of \$260,000,000 and total resources of \$300,000,000.

It is noteworthy that today in spite of its age the Bank of the Manhattan Company is one of the most modern and vigorous in the United States.

**BANK of the**  
**MANHATTAN COMPANY**

**40 WALL STREET, *New York City***

1838 --- 1926



BALLSTON SPA IN 1838

FOR many years following its establishment in 1838, the Ballston Spa Bank was the only financial institution in Northeastern New York, north of the Mohawk River.

In the same building that it occupied 88 years ago, the bank continues its service. Modern banking facilities have replaced the requirements of nearly a century ago, but the same high principles of banking still survive and add, year by year to the prestige and strength of the bank.

Resources have more than doubled in the last ten years and are ten times more than when the bank entered the National system in 1865.

185 dividends have been paid to stockholders.

# Ballston Spa National Bank

Ballston Spa, N. Y.

Capital  
\$200,000

Surplus and Profits  
(over) \$325,000

Deposits  
(over) \$2,300,000

*Resources over Three Millions*

THOMAS KERLEY, President

EGBERT F. CLUTE, Cashier



Issued in 1861 . . . Paid in 1904

## Promise and Fulfillment

**O**RGANIZED after the Nullification Act which nearly precipitated South Carolina into war with the United States the Bank of Charleston began business under a State charter in 1834. It weathered the Mexican War of 1846-8, the War for Southern Independence of 1861-5, the Reconstruction of the South and the Revolution led by Wade Hampton, the redemption of South Carolina from the rule of the "Carpet Bagger," the War with Spain and the World War.

It successfully passed through times of great depression in Charleston, when streets were almost deserted, when few ships docked at the wharves, when young men sought their fortunes elsewhere.

It is the only bank south of Richmond which was in operation before the War of 1861-5 which has redeemed its pre-war bank notes. Every year quaint old notes in peculiar denominations are sent here for payment. They come from all corners of the globe, for Charleston's far-flung commerce scattered them to the four winds of trade.

And now as the South Carolina National Bank, with resources of \$25,000,000, it stands ready not only to redeem its pre-war obligations but to handle business of greater magnitude than any other banking institution in the State of South Carolina. Its grasp of the factors involved in present day industry, together with its rich experience, covering a period of nearly a century, enables the Bank to offer a service of exceptional worth.

# The South Carolina National Bank

Charleston, S. C.    Greenville, S. C.    Columbia, S. C.

State Charter 1834  
National Charter 1872

Capital and Profits \$2,000,000  
Resources . . . \$25,000,000



NEW ENGLAND'S LARGEST TRUST COMPANY



## Four Indications of Leadership

OLD COLONY, through its *Banking Department*, has over 29,000 individual and corporation accounts. This is considerably more than any other trust company in New England.

OLD COLONY, through its *Trust Department*, as executor and trustee manages property with a value in excess of \$130,000,000. This is \$22,000,000 more than the total handled by the next largest Trust Department of any New England bank.

OLD COLONY, through its subsidiary, the *Old Colony Corporation*, occupies a position in the front rank of distributors of high-grade securities throughout New England and other Eastern States.

OLD COLONY, through its *Transfer Department*, is now transfer agent for two hundred and thirty-four corporations, and in ninety-nine of these cases it is also appointed agent to pay dividends. This is the largest department of its kind in New England.

*These facts show to some extent how generally this company has interwoven itself into the financial affairs of New England people and business. The OLD COLONY TRUST COMPANY is now in its thirty-seventh year of active business. Its history and its accomplishments in this brief space of time attest the quality of the service it renders throughout its many departments.*

# OLD COLONY TRUST COMPANY

17 COURT STREET, BOSTON, MASSACHUSETTS



The National Bank of Commerce in Saint Louis has many traditions back of it. For 69 years its history has been part and parcel of the romance and history of Old Saint Louis.

In 1857 the National Bank of Commerce opened its doors for business under the name of the St. Louis Loan and Building Association. Not until 1869 was the name of the National Bank of Commerce taken.

The great bulk of "Old 26" today towers a block long on the site where the "Lewis and Clark" expedition started to pioneer a great new section of the United States—the undeveloped Northwest. "Here lived and died William Clark"—says the tablet on the corner—and it is interesting that the whole history of "Commerce" has borne out so well the same pioneering spirit as applied to Finance.

So consistent and solid has been its growth that the year 1926 sees "Commerce" with over 100,000 satisfied customers and with total resources of more than a hundred million dollars.

**The**  
**National Bank of Commerce**  
with which is affiliated the  
Federal Commerce Trust Company  **in St. Louis**

**Established**  
**EIGHTEEN-THIRTY-FOUR**

Dedicated to the Encouragement of Thrift, the Moulding of Character, and the Upbuilding of Americanism.

Devoted to the Service of Our Citizens That the Fruit of Their Labor May Be Made Secure.

# **The Bowery Savings Bank**

**110 East 42nd Street**

**130 Bowery**

**New York City**



### *Worcester Common in 1846*

**I**N 1846 Worcester Common appeared about as shown in this print from the collection of the American Antiquarian Society. As in most New England villages the "Common" was the center of the public life of the community and around it clustered the homes of the settlers. Many stirring scenes were enacted on this spot. From the steps of old South Church, shown in the picture, the Declaration of Independence was read to the people and in the war which followed the Common was the rallying point for all patriotic movements.

Today the Common is still the center of things in Worcester. But the beautiful City Hall occupies the site of the old church and paved streets lined with tall buildings surround it. Across the street is the headquarters of the Worcester Bank & Trust Co., which in 1846, as the Worcester Bank, was already a flourishing institution, having been organized in 1804. Its present trust company charter is also one of the oldest in the country and as bank and trust company it has played a most important part in the development of the Worcester of today, a city of 200,000 people.

Today its capital, surplus and profits are \$3,500,000, its deposits are more than \$33,000,000, and its trust funds \$14,500,000, and it is in position to handle business of any magnitude.



## Worcester Bank & Trust Company

WORCESTER, MASS.

*Worcester's Largest Commercial Bank*

# BOSTON SAFE DEPOSIT & TRUST COMPANY

100 FRANKLIN STREET

*At ARCH and DEVONSHIRE STREETS*

*Boston 6*



The Boston Safe Deposit and Trust Co. has been in business for over fifty years, and is thus one of the oldest trust companies in the country. It received its charter April 13, 1867, and commenced active business June 1, 1875. From that date in the conduct of its affairs the company has always enjoyed a reputation of the highest character. It has built up its business without absorbing any other banking

institution and has earned by conservative banking methods its entire surplus and undivided profits of \$3,700,000.

We act as Administrator, Executor, and Trustee under Wills and "Living" or "Voluntary" Trusts, and as Conservator and Guardian of property.

We also act as Trustee under Corporate Mortgages, and as Transfer Agent and Depository for Reorganizations.

We solicit the accounts of individuals, corporations, firms and banks, and allow interest. All accounts are accorded the same careful attention. The conduct of our business is on the broadest lines, and every accommodation is given, consistent with sound banking methods.

**CHARLES E. ROGERSON, *President***

**WILLARD T. CARLETON**

*Vice-President & Trust Officer*

**LAURENCE G. DEAN**

*Asst. Treasurer*

**ROLAND E. CHAFEY**

*Vice-President*

**FRANCIS W. CAPPER**

*Asst. Treasurer*

**FRANCIS J. BURRAGE, *Secretary***

**Capital \$1,000,000**

**Surplus & Profits \$3,700,000 Resources \$21,600,000**

**O**N August 1, 1887, Industrial Trust Company commenced business in one room with resources of \$245,000. On May 3, 1926, its resources totaled more than \$154,000,000.

Industrial Trust Company now has four offices in Providence and ten other offices covering the entire state. Its accounts number one for every three people of the state's 600,000 population.

The growth of the bank, and particularly its Trust Department, has constantly demanded more room. This need will shortly be satisfied with a new building covering 28,000 square feet in the heart of Providence.

# INDUSTRIAL TRUST COMPANY

*Resources More Than \$100,000,000    Member of Federal Reserve System*

PROVIDENCE  
WOONSOCKET  
PASCOAG

PAWTUCKET  
BRISTOL  
WARREN  
EAST PROVIDENCE

NEWPORT  
WESTERLY  
WICKFORD

75 Years Ago



## 75 Years of Sound Banking

SEVENTY-FIVE YEARS ago a group of leading citizens of Providence were granted a charter by the State to found a Savings Bank where the people might place their savings "with Security and Profit."

*President*

WEBSTER KNIGHT

*Vice-Presidents*

JOHN B. BRANCH  
GEORGE M. SNOW  
WILLIAM P. CHAPIN

*Treasurer & Secretary*

CLINTON F. STEVENS

*Asst. Treas. & Sec.*

ROBERT W. UPHAM  
RAYMOND H. BLAKE

*Asst. Secretary*

WILLIAM P. DODGE

The trust has been faithfully kept and during these 75 years this Bank has safely handled a total business of over \$175,000,000. The opening day's deposits in 1851 were \$1672; today the deposits are more than \$20,500,000. The depositors number more than 34,000 and they are protected by securities valued at \$24,800,000, an amount \$4,250,000 greater than their total deposits.

Every January and July, since the Peoples Savings Bank was founded in 1851, dividends have been paid to depositors, totaling over \$19,000,000.

# PEOPLES SAVINGS BANK

PROVIDENCE, R. I.



**M**ADISON SQUARE is the center of a mile-wide band extending across the city from the Hudson to the East River—the district this Bank has served for 46 years.

**Bond Department - Foreign Department  
Trust Department**

# **GARFIELD NATIONAL BANK**

***FIFTH AVENUE  
WHERE 23<sup>RD</sup> STREET  
CROSSES BROADWAY  
NEW YORK***



# Long Experience

**T**HE lessons of long experience on the part of S. W. STRAUS & CO. constitute an important factor in the safety of Straus Bonds.

This experience has developed standard safeguards that are rigidly followed by us in the investigation of all new bond issues—developed a lending organization whose knowledge of the principles of real estate values and trends, design, construction, management and earnings, makes it first in its field.

The specialized experience of S. W. STRAUS & CO. for 44 years is reflected in the sound value inherent in every Straus Bond—in the safety and satisfaction every Straus customer enjoys.

Straus Bonds form a class of securities of proven merit which should be included in every well-diversified investment account. Inquiries from investors and dealers are invited.

The Straus Hallmark on a bond stamps it at once  
as *the premier real estate security.*

## S. W. STRAUS & CO.

ESTABLISHED 1882    ✧    INVESTMENT BONDS    ✧    INCORPORATED

STRAUS BUILDING

565 Fifth Ave.—at 46th St.

Telephone—Vanderbilt 8500

**44 Years Without Loss to Any Investor**

OVER 100 YEARS OF COMMERCIAL BANKING



## Length Of Years And Breadth Of Service

**I**N its one hundred and fourteenth year, Chatham Phenix believes that it is more advantageously situated than ever before to render correspondent banks the type of service they require.

The world is its banking field. Both in resources and in connections it is amply qualified to give the fullest degree of co-operation.

In this belief, we cordially invite your correspondence.

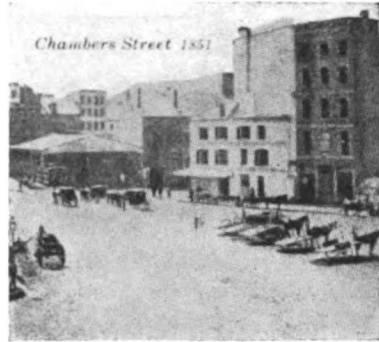
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**MAIN OFFICE**

**149 Broadway, Corner Liberty Street, New York City**

**RESOURCES OVER A QUARTER BILLION DOLLARS**

**SEVENTY - FIVE  
YEARS AGO  
—AND TODAY**



**W**HEN the Irving Savings Bank was founded in 1851, New York still retained many characteristics of an American village of that period. The village pump was still in evidence and the skyline of the city was dominated by the graceful spires of Trinity and St. Paul's. Amid these surroundings the Irving Savings Bank entered upon its activities in modest quarters at 96 Warren Street.

**T**ODAY, housed in its commodious new home at 115 Chambers Street—one of New York's busiest downtown streets—the Irving Savings Bank is continuing its seventy-five year record of service to the public. The bank has been called "The Friendly Bank," and it is the aim of the personnel to so conduct its business with the public as to continue worthy of the name. The bank therefore extends at all times a courteous welcome to its friends and patrons, believing that the mutual esteem so desirable between the bank and its depositors may be enhanced through a policy of courtesy within the lobby.



**IRVING  
SAVINGS BANK**

**115 CHAMBERS STREET  
NEW YORK**

CHAS. C. HARRINGTON  
President

EDWARD A. HAVENS  
Vice-President

SHIRLEY HARRINGTON  
Cashier

F. A. CHURCH  
Assistant Cashier

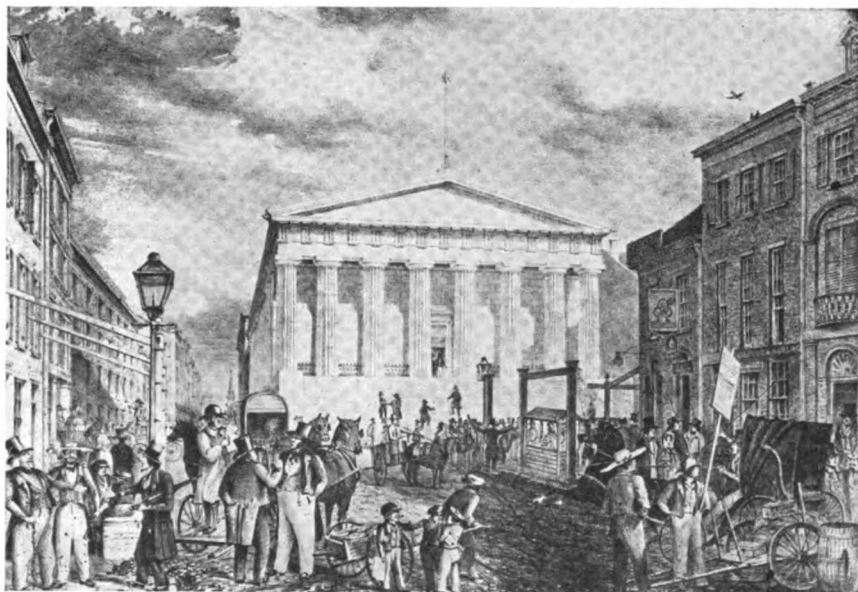
**O**NE of the oldest banks in the City of Providence, the Mechanics Bank began business in 1823 and was reorganized as the Mechanics National Bank in 1865. Its original bank building was on South Main street, where it remained till 1881, then removing nearer the present business center on Weybosset street. When the bank moved into its present quarters at Exchange place and Dorrance street its deposits were but \$750,000, since which time they have increased to \$6,200,000, with total resources of \$7,500,000.

## The Mechanics National Bank

PROVIDENCE, RHODE ISLAND

Deposits  
**\$6,200,000**

Total Resources  
**\$7,500,000**



WALL STREET IN 1846



1824 — 1926

**102 YEARS** ago the Mechanics Bank was established in New Haven. As a State institution it followed the custom of granting the State some special privilege which in this case was a subscription of \$200,000 of the bank's \$500,000 capital to the bonds of the old Northampton Canal. Later in the passing of the canal the bonds became worthless and the stock of the bank was reduced to \$300,000.

The capital is still \$300,000, but the growth of the bank is best told by the following statement as of April 12, 1926:

|                          |               |
|--------------------------|---------------|
| Capital Stock . . . . \$ | 300,000.00    |
| Surplus and Profits      | 1,140,717.93  |
| Deposits . . . . .       | 17,806,456.28 |
| Total Resources ..       | 19,265,948.84 |

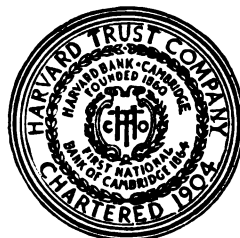
**The Mechanics Bank**  
New Haven, Conn.

**IN 1861** when news came of the attack on Fort Sumter the **HARVARD BANK** was among the first to offer a loan to Governor Andrew for the Commonwealth of Massachusetts.

**TODAY** with banking, trusts and agencies totaling over **TWENTY-FIVE MILLIONS** — with increased facilities gained through three banking offices—Harvard Square--Central Square--Kendall Square—with  
**CONSTRUCTIVE POLICIES**  
and  
**CONSERVATIVE BANKING**

This bank is referred to as

**“THE  
BANK  
THAT  
SERVES”**



**Harvard**  
**Trust Company**  
Cambridge,  
Massachusetts

**Worcester County Institution for Savings**  
**Incorporated 1828**

**Assets over**

**\$46,500,000**

**The Largest Savings Bank in Worcester**

**Corner Main and Foster Streets**  
**Worcester, Massachusetts**



**1848-1926**

**The Oldest National Bank**  
**in Worcester**

**SEND YOUR COLLECTIONS**

To this substantial old institution which confines itself almost exclusively to general banking and collection business

**Courteous, Efficient, Prompt Service**

**Mechanics National Bank**

**Worcester, Massachusetts**

**Capital and Surplus, \$1,000,000**

**Deposits, \$16,500,000**

**FRANCIS H. DEWEY**  
Chairman of the Board

**FREDERIC B. WASHBURN**  
President

**SAMUEL A. ELLSWORTH**  
Vice-President

**EDGAR L. RAMSDALL**  
Vice-President

**NELSON C. KEYES**  
Cashier

**ALICE F. SHEEHAN**  
Assistant Cashier

# The Bank of N. T. Butterfield & Son, Limited

Hamilton, Bermuda

This bank was founded in 1858 and was conducted as a private business until 1904 when it was incorporated with a capital of £10,000.0.0 as a Joint Stock Company with a "Double Liability." In order to increase the number of stockholders, which number now over one hundred, the capital was increased to £15,000.0.0 and the bank has now in reserve and undivided profits £50,000.0.0.

It has been in its new banking premises with safe deposit and storage vaults for the last two years.

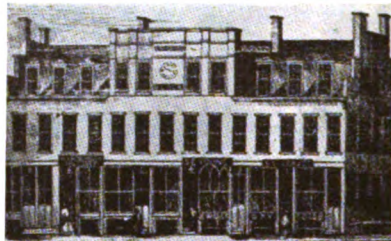


## The TICONIC NATIONAL BANK

WATERVILLE, MAINE

This bank which was organized as a state bank in 1831 is the successor of the Waterville Bank organized in 1814. A national charter was taken out in 1865. Since 1921 the bank has been housed in a new individual bank building where every modern facility has been provided. The Ticonic National has assets of over \$4,600,000 and is the largest as well as the oldest bank in the city having behind it a record of 112 years continuous service to the people of Waterville.

**GEORGE K. BOUTELLE**, President  
**JULIAN D. TAYLOR**, Vice-President  
**J. MERLE BRIDGES**, Cashier



1831 - 1926

ONLY two savings banks in New Hampshire are older than the Laconia Savings Bank, which was chartered in 1831 at Laconia, then known as Meredith Bridge. It was originally called the Meredith Bridge Savings Bank. The charter was signed by Franklin Pierce, Speaker of the House of Representatives and afterwards President of the United States.

During this long period of successful business it has had but five Treasurers, three of whom have covered the entire period with the exception of five years. The present Treasurer has served in that capacity for forty years and is the oldest Savings Bank Treasurer in point of service in New Hampshire.

## LACONIA SAVINGS BANK LACONIA, N. H.

**OSCAR L. YOUNG**                      **EDMUND LITTLE**  
President                                      Treasurer  
**A. C. KINSMAN**, Assistant Treasurer

# THE BANK OF BERMUDA, LTD. HAMILTON, BERMUDA

Branches in Somerset and St. Georges

Established 1889

Capital £15,000

J. C. DARRELL—R. TRIMMINGHAM, Directors

Depository for Bermuda for funds of the Imperial Government. The Bank of Bermuda's long experience and complete acquaintance with local conditions offers your Bermuda business an excellent and skillful execution.

Letters of Credit . . . Exchange

Special Correspondents: Midland Bank Ltd., Lothbury, London; Chase National Bank, New York; Royal Bank of Canada, Halifax; Canadian Bank of Commerce, Toronto; Barclays Bank (Dominion, Colonial and Overseas), British West Indies.



# THE NATIONAL FOREIGN TRADE CONVENTION

BY ELMER H. YOUNGMAN

IN point of attendance, prominence of the delegates, in the practical character of the addresses delivered, and in the warm hospitality of the people of Charleston, the Thirteenth National Foreign Trade Convention, held at Charleston, S. C., April 28, 29 and 30, was an outstanding success. In fact, it may be said without exaggeration that, taking all things into consideration, it was the most successful meeting in the history of the Foreign Trade Council, under whose auspices the conventions are held. Not the least remarkable phase of this convention was the enthusiastic interest it aroused in foreign trade, not only among the people of Charleston but of the entire South Atlantic Seaboard. That this should be so need not be particularly surprising, for of all the story of the South's progress in recent years, no phase of it is more wonderful than the enormous gain made by the Southern ports in the import and export trade of the United States. This has been due in part to the South's increasing general prosperity, to the gain in manufacturing, and especially to the fact that discriminations in railway and freight rates have been greatly reduced if not entirely removed. And the principal ports of the South have taken prompt and effective advantage of this opportunity by improving their port facilities.

## THE SOUTH'S INTEREST IN FOREIGN TRADE

To describe these improvements, or to attempt even to outline the progress of the South, is foreign to the purpose of this report. But since the convention was held in the South, and for the further reason that this section of the

country is now showing such remarkable interest in foreign trade, special prominence has been given to those addresses, delivered at the convention by Southern men and relating particularly to the South's interest in foreign trade.

In thus somewhat narrowing the report of the convention, one of its most significant features must not be overlooked—the fact that a session was especially set aside for consideration of the trade relations between the United States and the Dominion of Canada. Prominent Canadians took part in the discussion of problems of mutual interest in the trade relations of the two countries, and this part of the proceedings aroused great enthusiasm.

The representative character of the convention is illustrated by the fact that over 1000 delegates were present, from thirty-six states and fifteen foreign countries. There were fifty delegates from Canada alone. That the South was alive to the importance of the meeting appears from the fact that 500 of the delegates were from that part of the country.

Before presenting a more detailed report of the convention, recognition must be made of Charleston's hospitality. Appropriate addresses of welcome were made by Governor McLeod and Mayor Storey, the latter also giving freely of his time and energies during the convention in seeing that the entertainment program was carried out according to schedule.

The entertainments were numerous and in keeping with the dignity and importance of the occasion. The historic shrines, the quaint old houses, the beautiful gardens, the perfect weather, and the cordiality of the officials and people,



made for Charleston a warm place in the hearts of all who had the privilege of attending the convention.

The outstanding addresses at the convention included Henry M. Robinson's examination of Germany's ability to pay reparations and his summary of the condition of France and her prospects of restoring her currency to par; James A. Farrell's survey of "The Foreign Trade Outlook," showing that it is with our keenest competitors that we do the most business, and that 40 per cent. of our exports is composed of items each contributing less than 1 per cent. of the total amount; J. G. Geddes' explanation of "How Our Banks Serve Our Foreign Trade; R. G. Rhett's exposition of the "Commercial Possibilities of the South Atlantic;" and George Gordon Crawford's statistical survey of "The South's Part in American Exports." All of these are reproduced in full elsewhere in this issue.

#### SOUTH ATLANTIC TRADE

It is natural that a convention meeting in Charleston should give a good deal of attention to the problems of South Atlantic trade. One whole session was devoted to these problems, and several of the papers in the general sessions took up various aspects. For example, there were discussions of "Cotton as a Factor in Exports," "South Atlantic Ports and Their Trade Facilities," "The Economic Resources of the South Atlantic Area," and "Inland Rate Structure of the Southeast."

In considering the technical and administrative problems of foreign trade, G. R. Parker, president of Parker, Peebles & Knox, Inc., said that "the modern exporter has no wish to interpose himself between supplier and customer. He welcomes and encourages sales help and direct contact with the market. He asks only that the facilities he has to offer be intelligently utilized." Mr. Parker emphasized the well-known fact that the exporter's function is to

cater to the whims of his customers, not to tell them what they should want.

A. T. Preyer, director of sales Vick Chemical Company, Greensboro, N. C., told how his company gets direct results in export trade by investigation and analysis of markets, mapping out the sales campaign, and then giving the agents definite instructions for carrying out the campaign. A. Schoonmaker, export manager of the Bourne-Fuller Co., New York, speaking on "The 'How' of Profitable Exporting," said that the secret is in the selection of the agents for carrying out the foreign sales campaign. He briefly covered the forms of agencies possible, and their adaptability to various businesses, but concluded that almost universally the export manager's "individual ambition and ingenuity will prompt him to seek the byways which lead to added profit and prestige and if he is cast in the proper mold he will prefer to lead rather than to follow."

#### EDUCATION FOR FOREIGN TRADE

One session was devoted to education for foreign trade. Roy S. MacElwee, dean of the Georgetown University School of Foreign Service spoke of the colleges' attitude that they do not train men to become export clerks, but teach them the managerial problems and methods of solution. At the other extreme is the information school, which aims to fill the student's mind with facts about exporting. In striking a balance between these two (for both were found unsatisfactory in results) Mr. McElwee proposed this plan: "Condense the variety of experience of twenty years from clerk to manager into a curriculum of two years with the sequence of courses the same as in life. Begin with the simple, definite, practical operations of exporting and from them build up into more complicated technical procedure." This is the only satisfactory basis on which to proceed to the general courses covering the whole theory of international rela-

[Continued on page 869]



## HOW THE BANKS ARE SERVING AMERICAN FOREIGN TRADE

BY J. G. GEDDES

THE anticipation by American banks of the needs of the exporter and the importer in the United States has been extraordinary. American business men, especially in the Middle West were at first not particularly interested in the desirability, to say nothing of the absolute necessity, of foreign trade. But the bankers of the United States, with a faith in their country, and a vision beyond its borders, went ahead. They prepared the way to meet the most exacting demands of foreign trade. At the present time, some American banks have established branches in many foreign countries, and are actually setting an example through efficient management, that is upsetting all traditions in those countries, and many American methods are actually being copied by financial institutions there. Nearly every American bank of importance has anticipated, and is still anticipating, the import and export needs of its particular section of the country. One of the most striking instances of this fact is the way in which some of the interior banks have established and operate direct accounts with foreign banks, and are continually extending these connections. By this method, the interior American bank, through its foreign department, is converted from a purely local financial institution, into an international bank with widespread ramifications.

A bank with a live foreign department establishes and maintains active accounts with banks in foreign countries, and these accounts lead to very intimate relations; first, through correspondence, and then, through the more personal friendships formed by the interchange of visits of the executives of the American banks and their foreign connections. Thus, the

American banks are enabled to pass on to their customers, a great many of these contacts, and along with them services of a very valuable nature, a few of which the writer will endeavor to explain.

### SUPPLYING CREDIT INFORMATION

Not the least important is credit information. Credit information upon the major individuals or firms interested in the purchase of goods can be readily obtained from credit files constantly being built up and kept up to date by the foreign department. If for some exceptional reason it is necessary to have credit information which is not in the files, the cable can be used and the desired information quickly obtained from banks abroad. This is naturally a reciprocal arrangement, and one of use to both business men in the United States, and in foreign countries.

Through the foreign department of an American bank much the same kind of credit information can be obtained about foreign business men that can be had about business men in the United States. In short, service for foreign trade along credit lines is much the same, and functions in much the same manner, as it does for domestic business. Many business men do not realize this. Business may be done abroad, either on the exporting or importing side, in much the same way as it is done here at home, if business men would only realize it.

### THE CABLE TRANSFER

Another service well worth mentioning is that of the cable transfer. Banks with foreign accounts can order payment by cables to almost any place in the world. This is of the utmost importance to the commercial interests of this coun-

try, as may be illustrated by the following instance:

Suppose an American company has been figuring upon the construction of large harbor improvements in a South American port. It has taken considerable time and labor to compile and complete the figures. The company is anxious to bid for the work, when suddenly the news comes that the bids call for tenders to be in by a certain date, and a deposit of a certain percentage of the bid must be made at the same time. The time already elapsed makes it impossible that these details can be consummated in time by mail. Here, the foreign department of the bank steps into the gap, and by use of the cable, the necessary deposit may be sent to South America within the time prescribed.

Through the machinery set up by the bank's foreign department and through their familiarity with just what is necessary to be done, the incident causes no more bother than if it all took place within the borders of this country. If it were the State of South Carolina, for instance, to which the bids must be sent, the company submitting them would telegraph. As it is South America, the company goes to the foreign department of its bank. It is practically as easy a thing abroad as it would be at home.

#### STRIDES MADE BY INTERIOR BANKS

Many American business men do not realize the strides made by American banks, particularly the banks of the interior of the country, during recent years, in extending to the exporter, the facilities of discounting drafts, either documentary or clean, covering shipments of merchandise. Many interior banks now have representative offices in New York, and a private wire between the New York office and the local office. Other banks not so fortunate, have correspondents at seaboard. These representative offices are used for collection of ocean bills-of-lading and other documents to be attached to drafts, forwarded to them from their principals. This service assures the customer that documents will

be carried by the steamer bearing the goods; that the customer abroad will receive them in time to make entry with dispatch and without loss and inconvenience. This would not be possible if the documents had to be sent from the seaboard to the interior, and in turn, forwarded from interior to destination. The bank takes over most of the details which have to do with the "foreign" end of an exporting transaction. To the exporter the matter is little different from selling goods inside this country.

In the bank's foreign department, the importer of raw material may have set up for him letters of credit in dollars or other currency, covering the cost of shipments. This constitutes a very admirable and inexpensive way of guaranteeing ultimate payment to the seller, and also enabling the importer to secure commodities at lowest cost. Thus the importer is relieved of a great deal of detail. He is reasonably assured of the actual receipt of his merchandise in good order, because the physical transportation of his goods is followed through by the bank's foreign department, and furthermore, he may turn his raw material into finished products, and in many cases turn the finished products into cash, before he has to make actual payment for the raw material. In short, from the buyer's standpoint the transaction is on practically the same basis as a domestic interchange. The bank finances the transformation of raw stuff into salable material, and the manufacturer may get his money to pay for the raw stuff out of the sale of the finished article. He has been put to little more trouble than if he bought his raw material in Maine, or Colorado. In this connection the New York representative office again comes to the foreground. Instructions are given to the negotiating banks abroad that a copy of all documents must be forwarded to that New York office, where instructions in regard to their disposition await them. This avoids delay and possible expense at seaboard.

[Continued on page 873]



## COMMERCIAL POSSIBILITIES OF THE SOUTH ATLANTIC

BY R. GOODWIN RHETT

**I**N order to acquire a clear understanding of the remarkable possibilities of the South Atlantic in national foreign trade one must go back somewhat into the history of its coast. From what follows it will be seen why the South Atlantic ports, which once enjoyed so commanding a position in America's foreign trade, became in a comparatively short time a negligible factor in it. This article will give a picture of the forces which brought this decline about and will tell how finally and only recently the last of them has been overcome; and the reason why there is now such rapidly spreading faith in the future of this territory in relation to the economic life of the United States will then be appreciated.

During the Colonial period when the thirteen states along the Atlantic Coast which formed this Union still constituted the frontiers of America to the European settlers, no part of these frontiers was more attractive than this southern section of it, and no part of that section more prosperous than the coastal country of the Carolinas and Georgia.

Josiah Quincy of Boston, visiting Charleston in 1773, gives his impression of the city in the following entry upon his journal:

"This town makes a most beautiful appearance as you come up to it and in many respects a magnificent one. The number of shipping vessels far surpassed all I have seen in Boston. I can only say in general that in grandeur, splendor, buildings, decorations, equipages, shipping and indeed in almost everything it far surpasses all I have ever seen or ever expect to see in America."

DeBrahm, surveyor of the southern

district of North America, says of it in the same year:

"The annual export of Carolina rice amounts to above 100,000 barrels of neat rice worth in Carolina £275,000 sterling,



R. GOODWIN RHETT

President Peoples' First National Bank of Charleston, S. C.

next to which is indigo, whose exportation is worth in Carolina £150,000 sterling, and the whole annual exportation may be valued at £637,000 sterling."

A truly magnificent total from Carolina products for that early period. For nearly three quarters of a century that commerce grew and prospered, and one may well wonder why these notable achievements should have since dwindled to practically nothing. The story is not

|                            | Alabama       |                 | Florida       |                 | Georgia       |                 |
|----------------------------|---------------|-----------------|---------------|-----------------|---------------|-----------------|
|                            | 1900          | 1924            | 1900          | 1924            | 1900          | 1924            |
| Population                 | 1,828,697     | 2,445,551       | 528,542       | 1,068,520       | 2,216,331     | 3,028,728       |
| Property, true value       | \$774,682,000 | \$3,002,043,000 | \$355,743,000 | \$2,440,491,000 | \$936,000,000 | \$3,896,759,000 |
| Property, assessed value   | \$770,408,432 | \$997,157,000   | \$66,686,954  | \$475,197,000   | \$433,323,691 | \$1,213,359,000 |
| Manufacturing capital      | \$60,165,904  | \$455,593,000   | \$25,682,171  | \$206,204,000   | \$79,393,316  | \$448,700,000   |
| Value of farm property     | \$179,399,882 | \$690,848,720   | \$53,929,064  | \$330,391,717   | \$228,374,637 | \$1,356,685,196 |
| Value of farm products     | \$91,387,000  | \$326,000,000   | \$18,399,000  | \$106,000,000   | \$104,304,000 | \$363,000,000   |
| Grain crop, bushels        | 34,953,000    | 45,220,000      | 4,534,000     | 12,171,000      | 46,140,000    | 55,031,000      |
| Bank resources             | \$389,717,161 | \$300,919,000   | \$373,573,258 | \$346,763,000   | \$165,140,929 | \$458,940,000   |
| Public school expenditures | \$923,000     | \$12,828,000    | \$766,000     | \$6,769,000     | \$1,980,000   | \$13,566,000    |

|                            | Louisiana     |                 | Mississippi   |                 | North Carolina |                  |
|----------------------------|---------------|-----------------|---------------|-----------------|----------------|------------------|
|                            | 1900          | 1924            | 1900          | 1924            | 1900           | 1924             |
| Population                 | 1,381,615     | 1,864,385       | 1,551,270     | *1,790,618      | 1,893,810      | 2,722,669        |
| Property, true value       | \$815,158,000 | \$3,416,860,000 | \$557,582,000 | \$2,177,690,000 | \$681,982,000  | \$4,543,110,000  |
| Property, assessed value   | \$276,659,497 | \$1,645,428,000 | \$215,765,947 | \$720,551,000   | \$306,579,715  | \$2,654,517,000  |
| Manufacturing capital      | \$100,874,729 | \$462,209,000   | \$22,712,186  | *\$154,117,000  | \$68,283,005   | *\$669,114,000   |
| Value of farm property     | \$108,536,906 | \$389,826,679   | \$94,221,027  | *\$94,751,855   | \$233,834,993  | *\$1,250,166,995 |
| Value of farm products     | \$72,667,000  | \$200,000,000   | \$102,499,000 | \$301,000,000   | \$69,310,000   | \$429,000,000    |
| Grain crop, bushels        | 25,317,000    | 20,058,000      | 27,663,000    | 31,472,000      | 46,797,000     | 54,702,000       |
| Bank resources             | \$371,561,768 | \$469,305,000   | \$371,565,743 | \$231,775,000   | \$111,213,762  | \$459,417,000    |
| Public school expenditures | \$1,135,000   | \$16,453,000    | \$1,385,000   | \$6,390,000     | \$950,000      | \$22,079,000     |

|                            | South Carolina |                 | Tennessee     |                  | Virginia        |                  |
|----------------------------|----------------|-----------------|---------------|------------------|-----------------|------------------|
|                            | 1900           | 1924            | 1900          | 1924             | 1900            | 1924             |
| Population                 | 1,349,316      | 1,761,746       | 2,029,616     | 2,498,846        | 1,854,184       | 2,423,942        |
| Property, true value       | \$485,678,000  | \$2,404,845,000 | \$956,672,000 | \$4,228,251,000  | \$1,102,310,000 | \$4,891,570,666  |
| Property, assessed value   | \$176,422,288  | \$428,661,000   | \$396,363,566 | \$1,656,519,000  | \$480,425,025   | \$1,945,937,000  |
| Manufacturing capital      | \$62,759,927   | \$374,538,000   | \$63,140,657  | *\$110,203,000   | \$92,299,589    | *\$463,644,000   |
| Value of farm property     | \$153,591,159  | \$653,604,742   | \$441,209,025 | *\$1,251,964,585 | \$323,515,977   | *\$1,196,555,772 |
| Value of farm products     | \$68,267,000   | \$332,000,000   | \$106,166,000 | \$400,000,000    | \$86,549,000    | \$315,000,000    |
| Grain crop, bushels        | 19,294,000     | 31,042,000      | 74,504,000    | 78,338,000       | 42,773,000      | 51,108,000       |
| Bank resources             | \$94,676,498   | \$282,935,000   | \$315,917,552 | \$486,572,000    | \$395,298,452   | \$627,953,000    |
| Public school expenditures | \$894,000      | \$6,568,000     | \$1,751,000   | \$15,155,000     | \$1,989,000     | \$21,213,000     |

\*Census 1920 1922 1910

A statistical table of the South's resources. Reprinted by permission, from the American Review of Reviews.

without interest and may be quickly told. In the early days of the Colonies negro slaves were introduced into almost all of them. Their importation soon grew to large proportions in the Southern Colonies against vain protests made by most of these Colonies to Great Britain.

While the pecuniary advantages of slave labor in the cultivation of rice, indigo, cotton and tobacco were recognized, the menace which the rapid increase of the negro race began to assume was fully appreciated by many Southern statesmen, and it will be remembered, repeated efforts were made to check it.

Now, at the time of the adoption of the Constitution, Delaware, Maryland and Virginia constituted the "Black Belt," where four-sevenths of the slaves were located. But not long after the formation of the Union the "Black Belt" began to shift southward and southwestward to the cotton fields. Both the climate and the character of the labor required were eminently suited to the negro there; while neither the one nor the other in the East and Middle States was found to be at all suitable to him, as that section turned to manufacture and shipping. And so the latter portion of the country gradually abandoned negro labor, either freeing their slaves or cashing in on their investments.

#### THE FIRST HALF OF THE NINETEENTH CENTURY

The South, whose prosperity grew to larger and larger proportions all during the first half of the Nineteenth Century, continued to invest its surplus earnings in the negro labor necessary to work its cotton, tobacco and rice fields. By 1850 its investments in slaves aggregated over \$1,000,000,000 and Georgia is listed in the census of that year as first among all of the states in personal property assessed for taxation, with Massachusetts second, South Carolina third, Alabama fourth and New York fifth.

On the other hand the economic story of the Eastern and Middle States is a

very different one. In the early days of the Union the thoughts and energies of the North Atlantic States turned more and more to manufacture, transportation, shipping and finance. They invested their surplus incomes in buildings and machinery, ships and canals and their progress was equally rapid and in some respects more so. Their financial resources increased rapidly, their per capita circulation about 1840 being something like \$9 to less than one-fourth of that amount in the South and West. This is all admirably described by Professor William E. Dodd of the University of Chicago in his "Expansion and Conflict," as follows:

"The masters of this region were reaching out for the commerce of the West through the Erie Canal, which made northern and central Ohio the hinterland of New York; through the Baltimore and Ohio Railroad, and the Chesapeake and Ohio Canal, which were aimed at western Virginia and the Ohio Valley. The shipping interests of New England and New York did the same for the South, whose millions of bales of cotton all went north or to Europe in eastern-made and eastern owned vessels. And while these enterprising leaders sought to control the commerce of the country, they also knitted together their own towns and river valleys by canals and turnpikes."

Then it was that they laid the foundation of that complete control of the finances and the transportation of the country through which in later years the South Atlantic section was to suffer sorely and its ports to be cut off completely from foreign commerce, save in the products of its soil in the immediate vicinity of these ports and in the fertilizer materials necessary to grow its crops.

#### THE APPEARANCE OF THE STEAM RAILWAY

It was in 1828 that the locomotive appeared and the steam railway began

to revolutionize land transportation. Men of vision here at once sensed the importance of promptly utilizing these new highways, and one of the earliest railroads constructed in the country ran from Charleston to the Savannah River opposite Augusta, 136 miles away, but there unfortunately it was halted for many years. Senator Robert Y. Hayne, who divided with Calhoun the political prestige of South Carolina at that time, conceived the idea of extending the road from Branchville to Columbia, both in this state, and thence through the Piedmont district of it through North Carolina into Tennessee and Kentucky in order to connect up with that growing section and thus to establish a great trade artery between them and this port. As he himself expresses it:

"The imports from Tennessee and Kentucky into South Carolina and Georgia amount to millions, but instead of their being paid for in foreign goods imported directly into Charleston and Savannah in exchange for our own cotton and rice we pay for them in gold or silver or in bills upon the North thereby losing entirely the profits on the importation, and greatly embarrass our merchants by the operation. Now, if we only had the means of transporting these goods by railway to the West everything would be changed. Not only would we pay for western production consumed by the South, in foreign goods received in exchange for our own produce, but we should be able to supply a large portion of the Western country with all the goods now obtained by them abroad, receiving in exchange their products to be distributed in Southern ships through the world."

Unfortunately for Charleston, for South Carolina and for the entire coast section this vision was never realized. Calhoun threw his influence for the construction of the road westward through Georgia. But while the people of North Carolina and Tennessee were clamoring for its construction to the Northwest,

offering ample aid to that end, the people of Georgia never permitted a bridge to be built over the Savannah River at Augusta until 1853, over twenty years after the railroad reached its shores, and so Charleston never did acquire any trade route to and from the West.

In the meantime the East and Middle Atlantic states, as far south as Cape Hatteras, had been busy connecting up the interior of the country with their ports and their factories which they were all the time expanding. A vast change now began to take place, the extent and consequences of which were not at all appreciated by the Southeast. This failure of the South Atlantic ports to establish any direct trade arteries into the Northwest accentuated the diverse interests of the two sections and had the effect of concentrating the slaves into the Southern section to a still greater degree and of confining the energies of its people more and more exclusively to agriculture.

Had this railway projected by Hayne been constructed at that time who can doubt that the cotton factories of the Piedmont sections of North and South Carolina would have been built many decades earlier than they were built, and that the waterpowers of all that section would have been converted into use for manufacture of numerous kinds long before the Civil War; and who can say that this might not even have led to a peaceful solution of the vital problems which were driving the two sections further and further apart.

#### CONSEQUENCES OF THE CIVIL WAR

It is not possible for one to understand why this section, so prosperous for a century and more—why ports on this coast, so alive with commerce up to 1860—have lagged behind the coast and ports to the north of it, without some understanding of the consequences of the Civil War. And, despite the suffering and loss sustained by the South from

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# CANADA'S RELATION TO THE UNITED STATES

BY G. F. TOWERS

IN considering Canada's relation to the United States, it may not be inappropriate to quote the closing sentences of an article recently written by the general manager of the Royal Bank of Canada for an American publication. He said:

"I would like to state as an economic truth that between nations as between individuals, there is a mutuality of interest and if one country increases its production and expands its market it also increases its buying power for the products of other countries. With an investment in Canada of approximately \$2,500,000,000 and an annual trade in commodities of over \$1,000,000,000, there exists a business relationship between the United States and this country calling for the most thoughtful consideration on both sides."

It is well to point out that Canada is the second best customer of the United States. During the year ending February last, for example, Canada bought \$600,000,000 worth of goods from the United States. These imports are widely diversified. Not only does Canada take raw materials, such as cotton and coal, and foodstuffs of a class that are not produced there, but she also takes a tremendous amount of iron and steel products and manufactured goods of many kinds. Bear in mind that the American manufacturer who is doing a great deal of advertising in the United States, is also advertising in Canada, because Canadians read an enormous number of American publications. The diversity mentioned in referring to Canadian imports does not apply to nearly the same extent when Canadian exports to the United States are considered. Pulp and

paper and other forest products are by far the largest items. The remainder is made up of such things as furs, copper, precious metals, small amounts of various agricultural products, asbestos and last but not least, beverages.

Particular emphasis may be placed on the fact that 65 per cent. of all Canada's imports are from the United States, while the amount she sells to the United States is only 35 per cent. of her total exports. She buys from the United States each year over \$100,000,000 worth of goods more than she sells to it. The United States is Canada's main source of supply and any increase in Canadian prosperity is at once reflected in increased purchases of United States goods. That is where the partnership comes in. What happens when the United States buys more from Canada? Instantly Canada buys more from the United States. And here a very interesting situation is exposed.

## THE TARIFF QUESTION

In the years preceding the war, the United States was becoming less and less a great foodstuff exporting country. Growing population made the United States require more and more of its own agricultural products to feed its own people; for example, a clever analysis of the world's wheat situation published some time ago states that the great increase in population in the United States in the thirty years prior to the war, had by 1914 resulted in the fact that American domestic requirements for wheat were approaching the quantity then being produced, and the day was evident-

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Prominent figures, both labor and government, in Great Britain's recently ended general strike. Left to right, top row: John Robert Clynes, Thomas Shaw and Colonel Josiah Wedgewood. Center row: Viscount Haldane, Ramsay McDonald and Philip Snowden. Bottom row: Sidney Webb, J. H. Thomas and Arthur Henderson.



UNDERWOOD & UNDERWOOD

STANLEY BALDWIN  
Prime Minister of Great Britain

**M**OST of the credit for the orderly conduct of the general strike in England, for its defeat, and for the lack of bitterness, is given to the British Prime Minister, Stanley Baldwin. He made every effort to avoid the strike; when it was called in spite of his conciliatory exertions he resolutely refused to compromise and deal with the unions until the strike was called off; and when it was over he did his best to prevent reprisals by employers and the growth of class hatreds. He has thus established himself as one of England's great men. Some writers are already comparing him with Lincoln. Practically all of his life has been devoted to government service. He served in the House of Commons from 1908 to 1917. From 1917 to 1921 he was Financial Secretary to the Treasury. He was president of the Board of Trade in 1921 and 1922, until Bonar Law asked him to become Chancellor of the Exchequer. In this office he had a large share in the funding of the British debt to America; probably his biggest job until the recent general strike. When Bonar Law resigned, Mr. Baldwin succeeded him as Prime Minister.



# IS CREDIT NEEDED IN EXPORT TRADE ?

By E. B. FILSINGER

**T**HERE are three questions that may be asked regarding the extension of credit to foreign countries. They are as follows:

1. Is credit really needed?
2. Can it be successfully granted?
3. How great is the risk?

The answers may be given as simply as the questions are asked:

1. Credit is an absolute essential in foreign trade. It is only in rare instances that a large volume of business can be done on a cash basis.

2. Credit can be successfully granted. It is being extended today by many leading American firms. They have been granting credits over a long period of years.

3. With ordinary precaution the risk is negligible. Generally speaking, foreign credits are 99½ per cent. to 99-2/3 per cent. safe. In other words, experience has proved that credit losses in export trade average from 1/3 to ½ of 1 per cent. It is only rarely that they are as large as 1 per cent.

## THE THREE "C's" IN FOREIGN CREDIT

There is no mystery about foreign credit granting. The principles underlying the extension of credit in foreign countries are precisely those which obtain in the United States. The three "C's"—character, capital, and capacity—apply with equal force in Chicago and Chile, in Denver and Denmark, in Buffalo and Bombay. Of course, there are some differences in the application of these principles nevertheless in essence they have the same direct bearing that they have at home. It is the duty of the credit grantor to take into account local conditions which may affect one or more of these general principles. The extra-

ordinary success achieved in foreign countries by many of the great American manufacturers who have been extending credit abroad for years is convincing proof that this lesson has already been learned by a substantial number of our business men.

## WHY CREDITS ABROAD ARE NECESSARY

It should be clearly understood that all references to credit are to merchandise credit—not capital credit. Both types of credit are important in our foreign trade but today we are dealing only with merchandise or commercial credit. There are many reasons why commercial credits must be granted in foreign countries. It needs only a statement of the basic facts to make this apparent. It will, therefore, simplify matters to tabulate the chief reasons why credit is demanded.

### DISTANCE

Shipments to South America may be three or four weeks in transit. Those to the Philippines, China, Java, etc., may be a month or more en route. This takes account only of the time that goods are in the vessel. Allowance must also be made for transportation within the United States, the period transpiring while the cargo is being transferred to the ship before sailing, and finally for clearance after arrival at port of destination. In many instances, before goods are placed on railroad, steamboat or other means of transportation into the interior, days or weeks may elapse while the merchandise lies in the custom house.

### INTERIOR TRANSPORTATION

Not every country in the world is so well equipped with railroads as is the United States. The means of getting

merchandise into the interior are sometimes most primitive. Recourse is still had to the donkey, the camel, the dromedary, and even in some places to human beings, that is, the coolie. Account must also be taken of unfavorable weather conditions, including tropical rainstorms which may wash out roads, ice which may block ports, low water in an important artery of commerce which may make it impossible to carry into the interior vast quantities of merchandise. As a specific example of the latter sort of difficulty may be cited the present situation in Colombia. There the River Magdalena has been so low for several months that neither the coffee from the interior nor the imported goods from abroad can be moved. As a matter of fact, in certain countries the actual transportation of the goods from port to destination may take many weeks.

#### LOCAL TARIFFS

How many Americans realize that the tariffs in many countries are exceedingly high? In the case of the South American republics the duty may represent 40, 50, or 60 per cent. of the cost of the merchandise. To this must be added the sums necessary for freight, clearance, interior transportation, etc. As these are payable in cash, a considerable outlay may be necessary before the merchandise is actually in the hands of the importer.

#### LOCAL CREDIT CONDITIONS

Even when the importer has actually received the goods, it does not necessarily follow that he is able to realize thereon immediately. There are very few countries, and but few commodities, in which business is done for cash. The contrary is far more likely to be the case. The local importer must grant time to merchants in the interior. This may vary from 60 to 180 days. In agricultural countries where prosperity is dependent upon one or two, or a few crops, even longer time may be necessary because of a crop failure, just as in the United States, credit is needed to help dealers

through dull periods, until crops are harvested, shipped and marketed. This is not unlike the condition which prevails in the domestic agricultural regions, but is even more pronounced in foreign countries. Unexpected conditions, such as drought, floods, political unrest, etc., etc., may also necessitate a demand for longer time. Even in the case of firms having substantial capital, occasional slow payments are due to causes beyond their control. Mention might also be made of another item which necessitates credit extension. It is that of exchange. When credit is granted, foreign buyers are often able to take advantage of the most favorable exchange rates. Especially is this true where the fluctuations are seasonal and when it can be counted upon with reasonable assurance that after a certain number of weeks the exchange may be obtained at a more profitable figure.

#### LACK OF SUFFICIENT BANKING CAPITAL

Because the United States is amply supplied with capital and with a great number of banks is no reason to assume that the same condition prevails in all foreign countries. As a matter of fact, the banking capital, in many countries of great natural resources, is limited. The result is that the rates of interest are high. They frequently vary from 7 to 15 or even 20 per cent. Herein lies the explanation why firms of standing still ask for credit accommodations abroad. It is better business for them to obtain credits of four or even six months, paying interest at the rate of 6 per cent. to the foreign supplier, than to pay 8 per cent. or 10 per cent. to their local banks, especially when the latter are unable by reason of the great demand on their resources to loan adequate sums. Frankly, in many foreign countries it is not expected that banks shall "finance" merchants as would be the case under like conditions in the United States. In passing it might be interesting to speak of the demands for credit in those countries where a depreciation of currency has resulted in a shrinking of working

capital. In such cases the granting of credit facilities to responsible firms would be a distinct sales advantage to the American supplier.

#### NEED FOR LARGER STOCKS

Generally speaking, the rate of turnover in stocks in foreign countries is slower than it would be in the United States in the same line of business. This can be easily accounted for. Purchases must usually be made long in advance in order to insure having stocks on hand at the proper season. The importer must take into account possible slow deliveries, unexpected difficulties in interior transportation, etc. If merchandise is not ready at the beginning of a buying season a sales opportunity may be entirely lost. In some cases Americans fail to realize the importance of this fact and are inclined to blame the foreign buyer for demanding additional time because of late shipment. Seasonal merchandise may have to be carried over for six months. The situation is often complicated because the seasons on the other side of the equator are the exact reverse of our own.

#### TERMS GRANTED BY COMPETITIVE NATIONS

Foreign competitors of American manufacturers, notably those of England, France, Italy, Germany, Czechoslovakia, etc., have long been accustomed to do business in foreign countries on credit terms. Being fully aware of the reasons which make credit necessary they have not hesitated to offer the time that is essential to make sales. It is merely stating the obvious to remark that if Americans, especially in the case of highly competitive lines, wish to make headway abroad, they must be prepared to do as well as their competitors.

#### CREDIT REQUIREMENTS IN THE CASE OF PLANT INSTALLATIONS

Reference has already been made to the lack of capital in many countries. When companies are formed to establish

new industries, necessitating mills, factories or shops, a demand is often made for longer credit than might be the case in the United States. Experience has proved that when such credits are granted, after a thorough investigation has been made and all precautions have been taken to safeguard the transaction the results have been eminently satisfactory.

#### CREDIT AS AN AID TO INTRODUCTION OF GOODS

The success which has attended the foreign efforts of certain American manufacturers of specialties has frequently been due to a willingness to grant credit to local merchants. This is occasionally done through branches or distributors. The importance of this method cannot be overestimated. It will become an increasingly valuable sales adjunct as American trade abroad grows. In numerous cases the local dealer would be unwilling to stock unknown merchandise without some credit being granted him. Furthermore, the need for credit is greater when selling high-priced merchandise which must compete with cheaper grades of goods, locally produced. The sales resistance must be overcome. Credit is a great help thereto.

#### BANKRUPTCIES AND THE PERCENTAGE OF LOSSES IN FOREIGN TRADE

It can be stated without fear of successful contradiction that credit losses in foreign trade, by and large, are lower than those for bad debts in the domestic field. A canvass of the most successful firms who have had long experience in selling abroad has revealed the fact that losses for bad debts in the home market are usually greater than those in foreign countries. As has already been indicated, the percentage of loss averages from one-third to one-half of 1 per cent. How much business in the United States can be said to be 99-66/100 per cent. safe? If an exhaustive compilation could be made it would doubtless show that the losses which followed the sensational de-

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## THE SOUTH'S PART IN AMERICAN EXPORTS

BY GEORGE GORDON CRAWFORD

THE South has always taken an important part in the export of American products. It exports more than half of the agricultural exports of the United States. It ships through its ports about a third of the total exports of this country. The South contains about a third of the area of the United States. In it live about a third of the people. In wealth it has only about one-fifth of the wealth of the United States.

In view of the statements above, why does the South possess such a proportionately small amount of the wealth of the United States? The answer is given in the next statement.

The South manufactures only one sixth of the manufactured products. In 1925 more than 27 per cent. of the total exports of the United States were raw and manufactured cotton, of which only about 5 per cent. was manufactured and only a fraction of this manufactured in the South. The exports from the South are principally raw materials, because the manufacture of finished products in the South is much too small to supply the domestic requirements of its own territory, and, as a consequence, the exports of manufactured products are relatively small in volume and in value.

The domestic market of the United States is of such vast extent that of the total exportable goods produced in the United States, the percentage exported is comparatively small. No other nation enjoys such a large domestic market, providing as it does a splendid opportunity for mass production. Mass production enables the United States to manufacture many articles cheap enough to export them in competition with other nations, which do not have so high a standard

of wages and living as labor enjoys in this country. Manufacture for the domestic market is therefore such a potent factor in permitting articles to be produced cheap enough to export them that it is not feasible to discuss the subject of



GEORGE GORDON CRAWFORD

President Tennessee Iron, Coal and Railway Company, Birmingham, Ala.

"The South's Part in American Exports" intelligently without referring to the domestic market and the situation which underlies the South's part in American exports.

As a result of the devastating effects of the Civil War, the South was barren of capital and credit during the period of industrial growth in other sections of the country, and in other countries, which

rapidly followed the invention of the steam engine.

Coal, as a source of power for manufacturing, proximity to seaports, the talent of her people for seafaring and trade, made England a powerful factor in the export trade. Though a large importer of raw materials, the profits from the exports of manufactured products, together with the profits of the by-products of these exports, such as shipping, insurance and banking, made England foremost in wealth of nations.

During the same period of expansion of industry, the Northern states, with capital and credit at their disposal, expanded manufacturing plants to supply the needs of the Northern, Western and Southern states and to take an important part in the export of manufactured articles. The profits from the sale of manufactured articles, and the by-products of the trade in them accruing to the Northern states from freight rates, insurance and banking, increased their wealth to enormous amounts.

During this period, the South was, by reason of lack of capital, reduced to the necessity of confining her activity largely to the pursuits of agriculture, lumbering and other primitive activities, yielding large tonnage, large values, but small profits.

#### THE SOUTH IN 1860

In 1860 the Southern states owned 39.2 per cent. of the wealth of the United States; in 1870, only 14.6 per cent.; in 1922, 22.2 per cent. Banking resources of national and state banks in the South increased from less than 4 per cent. of the total of the United States in 1900 to over 8 per cent. in 1924. While the South is increasing its proportionate share of the wealth of the United States, it has not yet secured the percentage of the wealth of the whole country which it had prior to the Civil War, and is still short of the capital required to take a profitable part in the American export trade.

The development of manufacture in

the Southern states is gaining impetus each year, but still is far behind a production of manufactured products required for domestic use, much less for export.

The preponderance of the exports of raw materials from the South over manufactured products is not a good thing for the South, nor for the nation. It has involved the use of energy and capital in transporting over unnecessary distances, to foreign countries and other sections, raw materials produced within the Southern states, and the shipment of finished products back to the points from which the raw materials came; the same amount of capital invested in manufacturing in the Southern states as is used in the transportation, insurance and banking, in connection with exports, would go far toward manufacturing these raw materials near Southern points of consumption.

The export of a large volume of raw materials from the South actually hinders the growth of manufacturing in the South by exposing it to severe competition. For instance, the freight rates on steel products from England and Belgium to Galveston are \$3.55 per ton; from Birmingham to the same point, by rail, it is \$12.77 per ton. These low rates, which facilitate the importation of foreign steel into the South, are made possible by large exports of raw cotton from the South. The ships, rather than come in ballast, make low freight rates on manufactured products, from European to Southern ports. This situation does not encourage the growth of manufacturing in the South.

Are the conditions in the South favorable for the growth of manufacture, so that it can hope to substitute exports of manufactured products for exports of raw materials? Yes. They are as follows:

Proximity to raw materials; proximity to markets, both domestic and export; cheap power; good labor supply; healthy climate; and low taxes.

There are raw material resources of vast extent in coal, iron ore, fluxes, cop-



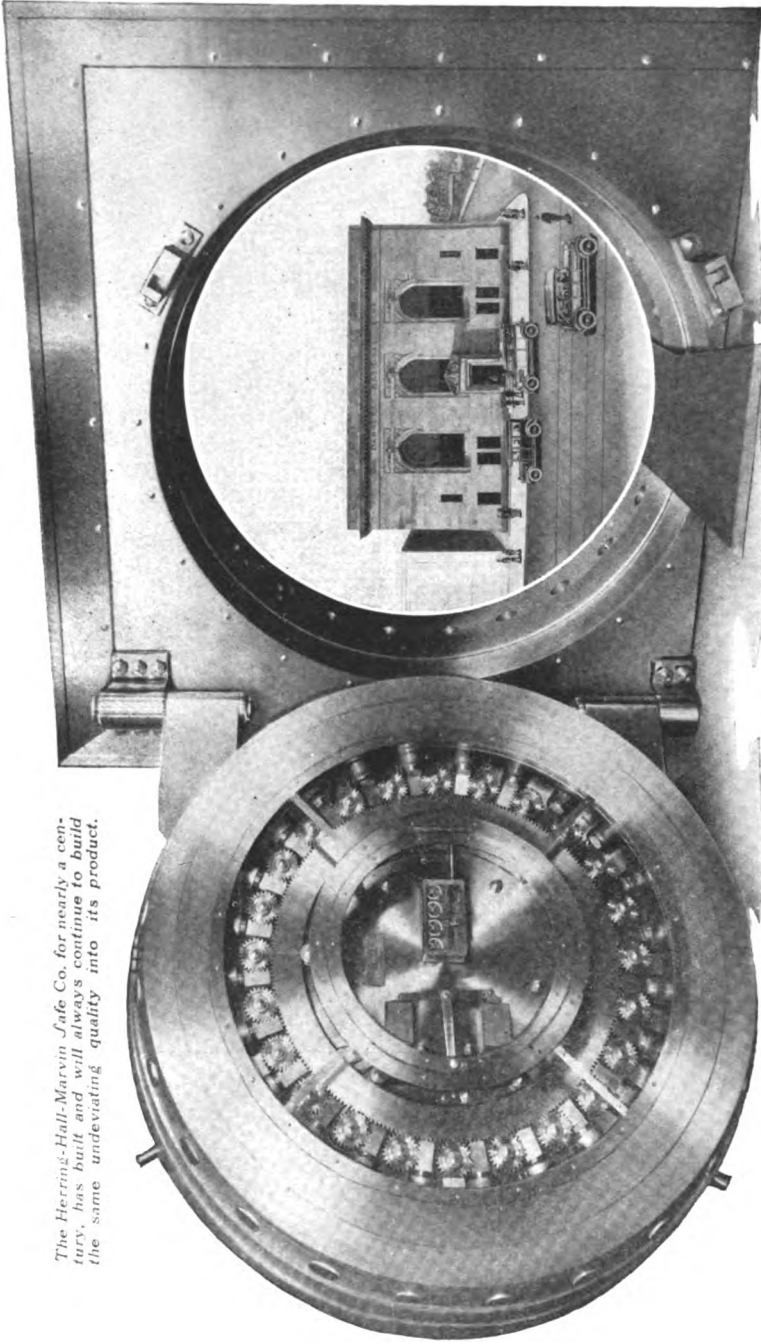
Wayne National Bank, Goldsboro, S. C.

**T**HE main entrance to the recently completed Wayne National Bank, Goldsboro, N. C., as seen from the public space.

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#### PROXIMITY TO MARKETS

Comparative freight rates from typical centers of manufacture in the North and South show that the latter can reach approximately a third of the people of the United States at freight rates equal to or lower than Northern centers. Considering the freight rates on the assemblage of raw materials and the freight rates on the delivery of the finished products manufactured from them, to seaports, the South has a very considerable advantage in freight rates for export.

The South contains a large area of high plateaus and mountains with copious rain-fall, which makes possible production of hydro-electric power, close to coal seams, which permit the operation of stand-by steam plants during the low-water period from coal located at or near coal mines, with no, or negligible, freight on the coal used for power purposes. This unique situation permits the use of the power produced, both by water and stand-by steam plants, to be distributed over the same distributing system, thus increasing the load factor on the distributing system, the most expensive part of power installation.

These elevated plateaus are generally located within a distance of the coastal plains and river valleys, well within the economic range of distribution of power, so that this cheaply produced power is, or will be, delivered over a large part of the South.

The power can be produced cheaply and distributed cheaply; it can be delivered to the points where the labor supply is good, namely, the villages and small towns, near which a supply of labor exists, engaged principally in agriculture and producing such a large volume of agricultural products that the prices received for the same do not yield to those engaged in agriculture a reasonably good standard of living.

#### LABOR IN THE SOUTH

The population of the Southern states is approximately 75 per cent. white and 25 per cent. negroes, both easily trained and efficient in manufacturing when trained. It is found that this population turns eagerly to manufacturing when afforded the opportunity, in order to procure a higher standard of living than has hitherto been possible in agricultural pursuits. If manufacturing becomes proportionately balanced with agriculture, the profits of agriculture will increase, due to operation of the law of supply and demand. The South is today the greatest, best and cheapest labor market in the United States.

In addition to the possession of raw materials, proximity to markets, cheap power, and good labor conditions, the fifth favorable factor for manufacture in the South is a pleasant and healthy climate. The greatest mortality from disease in the South has been from malaria, and this has been demonstrated to be a controllable disease, not only on the Panama Canal, but in sections of the South where malaria has been prevalent. One large industrial company, by drainage and mosquito control, reduced malarial fever cases in an industrial population of something near 100,000, from 4840 cases of malaria per annum to fourteen cases per annum, at a comparatively small cost. The greatest mortality in Northern states has been from pulmonary diseases, largely pneumonia and tuberculosis, which are not easily controllable, and then only at great expense.

The Southern climate is a good all-the-year-round climate and favorable for manufacturing, as is being demonstrated. The cost of rentals, fuels and clothing is less than in colder climates.

#### TAXES IN THE SOUTHERN STATES

The taxes in the Southern states are generally low.

That the six important advantages which have been enumerated above—raw

materials, proximity to markets, cheap power, well distributed, labor, climate and low taxes—are having practical effect is reflected statistically in two reliable ways—

1. By the consumption and manufacture of local raw materials.

2. By the growth of power consumption.

In 1900 the consumption of cotton by Southern mills was approximately 1,600,000 bales. Twenty years later the consumption of cotton by the Southern mills was about 3,750,000 bales, or 233 per cent. of the 1900 rate. Five years later, in 1925, the Southern mills took nearly 4,500,000 bales, more than twice the amount taken by cotton mills in the United States, outside of the South, and 37.1 per cent. of the average annual American cotton crop for the last five years; and 280 per cent. of the amount of cotton manufactured by Southern mills in 1900.

There seems little doubt but that increase in the construction of new cotton mills in the South will continue in view of the many advantages.

In the State of Alabama, the leading Southern state in the manufacture of steel products, the production of steel in 1924 was 243 per cent. of the amount made in 1914. During this ten-year period, the Tennessee Coal, Iron & Railroad Company, the largest producer of steel products in the State of Alabama, exported 1,659,257 net tons of these products.

#### POWER CONSUMPTION

A tremendous growth in the production and distribution of electric power has occurred. The total electric energy supplied by public utility plants in five Southern states in 1925 was approximately 2470 per cent. of the amount supplied in 1912.

It is estimated that in another ten years the electrical needs of Alabama alone will be 5800 per cent. of the amount supplied in 1912.

The export trade is of inestimable value to a new industry in supplementing the domestic market in providing a good load factor, so as to keep costs down through mass production. No matter how large the general market may be for a product, for illustration, say steel, the infinite variety of sizes in which steel is required restricts a new industry, during the early period of its growth, to the marketing of only such sizes as it has mills to roll, and the domestic market may not furnish a volume of business large enough to keep the mills rolling these particular sizes busy. Then the export trade is appreciated. A large steel manufacturing company in the South, which has for years been constantly increasing the variety of its product, has found it desirable to export steel products, to the extent of \$6,750,000 annually, for the last five years, in order to secure a better load factor on its mills, so as to keep costs down through mass production.

The 1925 export cargo tonnage of the Southern states was 28.6 per cent. greater than the 1924 export total, and this advance was participated in by every one of those states. This showing is noteworthy in view of the fact that while these Southern states increased their foreign traffic 3,700,000 long tons, an advance of 14 per cent. over their 1924 activities, the combined foreign traffic of all other states engaged in that trade declined 2,450,000 long tons, nearly 4 per cent.

In order for the South to take the part in the American export trade which its resources justify, it needs only a reasonable share of the capital which has hitherto been attracted to other sections. The Southern people have it in their power to increase or to retard the rate of flow of the stream of capital which is now setting strongly in their direction. Continuance of the present tendency to welcome capital and to treat it fairly will bring capital in ever-increasing volume.



## THE EUROPEAN SITUATION IN 1926

BY HENRY M. ROBINSON

THE European situation in 1926, neither presently nor for the balance of the year, will be any more static than a group of Dr. Millikan's electrons that perpetually shoot about bumping into one another, glancing and ricocheting—in fact, nothing but a kaleidoscopic relativity. Secretary Hoover describes foreign trade as "a maze of different phases of production, distribution, international finances, international relations, tariffs, trade discriminations, allied debts, controls of raw materials, fashion, weather and the shifts of economic forces of all sorts." This description applies with equal effect to any definition of the European situation and to follow the electron analogy further, the two outstanding factors about which the factors in the Hoover description revolve and center and which for the present, at least, constitute the nuclei about which the electron factors revolve, are reparations and currency stabilization.

In respect of reparations, one should not be stampeded by the hue and cry set up in so many of the allied countries that Germany cannot pay. That unstable currencies are finally to become valueless with all that such eventualities import should not be accepted as definite and certain.

How very frequently of late certain economists and publicists, nationals of the allied countries, and even of our own, keep stressing the statement that with the coming of the standard annual reparations payment, the burden will be too great for Germany to bear.

### GERMANY AND REPARATIONS PAYMENTS

Inasmuch as many of the allied countries are endeavoring to bring about at least a tacit understanding that payments

to the United States are not to be made except as reparations payments are made by Germany, would it not be better for the leaders to desist from the reiteration of Germany's inability to pay, and that especially is this true if they even have mental reservations about payments to the United States unless reparations are paid? When international obligations are in the control of democracies, experience has not shown that the democracies have a full and complete understanding of the ethics of contract fulfillment. It might be added that there are those who claim that our democracy does not always recognize its ethical duty in its relation to other nations.

We all know that the government for time time being, in any democracy, may be displaced and what better domestic platform for those out of office than that the burden placed on the producers and workers is too heavy. It has a strong appeal from every angle and a platform against payments, that can only be made when collected from the constituents of a democracy, would in itself be popular. What better background for such a platform than the assurance on the part of the creditors that the burden is too heavy? What would be the effect if the allied countries bring about a situation where our public believed that our debtors should not be called upon to pay their debts unless Germany pays the reparations and then our debtors, ably assisted and abetted by some of our own people continued in vociferous statements that the burden of reparations on Germany was a staggering one that Germany should not be called upon to meet? Could it be that through this none of the war indebtedness would be paid, and could it be that the international trade in Europe between the nations of Europe could then

be carried on a larger scale, more promptly expanded and with less effort than would be possible through what we might consider proper settlement of war indebtedness?

Recently, under a Washington date line, a New York newspaper of the best quality and highest motives, a paper which, in its editorial columns, from my viewpoint, at least, has been, and always is, sound, particularly in relation to the reparations problem, carried a news item with the headline "Reich Staggering under Dawes Plan." The article appeared to be made up of excerpts from statements made by various delegates who participated at the meeting of the International Chamber of Commerce at Brussels last summer, but so set up that an ordinary reading left the impression that it was a statement of the Agent General for Reparations. Part of it was, but certainly not the part that suggested any inability to pay on the part of Germany. The Agent General in the meeting in Brussels was more than reasonably optimistic about Germany's ability to pay and the burden finally appeared to be payment beginning in 1928-29. This, I think, in a way, at least, illustrates my point.

#### WHAT HAS HAPPENED IN REPARATIONS PAYMENT?

What has happened in reparations payment? For the first year, ending September 1, 1925, the payments were met; for the first half of 1925-26 payments have been met in full. It develops that tax levies were producing more than needed for such payments and taxes have accordingly been reduced. The actual transfer of the payments for the year 1924-25 and the first half of 1925-26 has been made almost entirely through deliveries in kind and collections under the recoveries acts of the various allied countries. These latter, again, are in effect deliveries in kind. The Agent General reports that the only actual transfer of gold or gold exchange for the first half of the year 1925-26 was

the service of the external loan of 1924, amounting approximately to \$12,400,000. Statements made by the Agent General indicate that he expects transfers for the balance of the year 1925-26 and for 1926-27 to be made almost entirely in the form of deliveries in kind, including the deliveries under the recoveries acts, and brings out clearly the thought that the allied governments might well be studying, in fact some of them are studying, methods for expanding deliveries in kind of raw and semi-raw materials and manufactured articles and particularly in connection with the development of new projects, either in the allied countries or in their respective colonies, using German made products, paid for by reparations, as the equity against which loans can be obtained for the completion of such projects and without which equity projects would be difficult, if not impossible, of realization. Even those who honestly feel that the burden on Germany may prove onerous do not fear this this will develop until 1928-29, the first year of the standard payment of 2,500,000,000 gold marks.

By that time it is more than possible that most of the creditor nations will have developed many ingenious devices for realizing on reparations mark credits and that such realization will not tend to affect adversely the German economy nor its exchange position, and this too with a definite benefit to the nationals of the allied country so realizing.

The experts' plan is elastic and does not break down even if for a period some part of the accumulated reparations credits seems difficult of transfer. Under these conditions such credits as accumulate and are not usable in a particular year may be invested in German obligations up to a very respectable limit of 5,000,000,000 gold marks. Can we not assume that the difficulties in the way of realization on reparations credits are not as great as pictured? Most writers in discussing it treat the transaction as dependent on international trade as it existed before the war. Think what the

effect of new projects in the consumption of these credits may be.

#### THE BURDEN ON GERMAN PRODUCERS

How much of a burden is the reparations charge actually on the German producers? The annual income of Germany for the year 1925 is set up by statisticians at about 55,000,000,000 marks. The standard payment, beginning in 1928-29 calls for the collection and deposit in the Reichsbank of 2,500,000,000 reichmarks. This is less than 5 per cent. of the value of annual income; in other words, 95 per cent. of income must support the full 100 per cent. of producers, while the remaining 5 per cent. is applied to reparations. Reduced to the worker's hours, if, as is now contemplated, the worker's week in industry is to be forty-eight hours, a little over two hours per week out of the forty-eight will produce the worker's contribution to the credit in the Reichsbank. Does this sound like an undue burden?

Comparing the burden of the reparations collection with the burden of taxes collected before the war for the maintenance of the military department of the German Government, we find that the actual accounted for outlay for the year ending March 31, 1914, was over 1,600,000,000 reichmarks (\$407,000,000) that is over two-thirds of annual standard reparation payment. To this should be added the free services rendered by the other governmental agencies such as free transportation of men and materials on all railroads and a certain proportion of the ship subventions and the loss of the productive power of the men so withdrawn from industry and we find a considerably greater burden for the support of the military than is required for reparations.

As to the immediate situation in Germany the testimony varies. The report of the German committee to the International Chamber of Commerce, made in March this year, gives a discouraging picture. The investigation and reports made by our own economists of out-

standing ability are, on the contrary, optimistic. The report of the Reich-Kredit-Gesellschaft Aktiengesellschaft for the second half of 1925 does not give a discouraging picture like that of the German committee but on the whole a brave and wholesome picture. Taking all of the evidence, and we must take the evidence and testimony as showing trends, while at the present moment there are difficulties in industry but with an improved trend in unemployment and increase in bankruptcies, especially of smaller and untried and inexperienced concerns, yet some of the leading German authorities, as well as our own, conclude that it will prove temporary and that it is nothing other than the crisis that might be expected from the readjustments following stabilization and especially from the raising of old and building new tariff barriers in Europe and from competition Germany is in with countries where currencies are steadily depreciating and which we now all recognize is one of the most disturbing elements in foreign marketing. The evidence is strong that the condition is temporary and will finally result in the marked improvements of the economic health of Germany. Whatever conclusion is reached must be based on the general trends and these things have happened in Germany in two years—her currency has been stabilized, her budget brought into equilibrium, the Reichsbank has increased its gold reserve, bank deposits—both savings and checking—have increased markedly, savings deposits having more than doubled during 1925; average wages in industry to skilled and unskilled labor have been increased during the year over 20 per cent.; taxes have been reduced; interest rates have been reduced; hours of labor in some industries have been reduced.

To discuss the second important factor about which the other factors revolve, to wit—currency stabilization. In countries where currency values are still depreciating the immediate effect domestically is to speed up business and in such

countries it is generally found that domestic business is in full tide. Of course this is paid for by the country itself through gradual destruction of its capital and until stabilization obtains in all the important countries the other countries where currencies are stable suffer in foreign trade and we cannot hope for complete recovery of the economic health of Europe until stabilization has gone further than at present.

#### DEPRECIATION OF FRENCH CURRENCY

The most disturbing, of course, is the depreciation of the French currency and the from time to time governmental authorities of that country are quite in accord that its devaluation should be stopped. The first step has been taken, legislatively the budget has been brought into balance. It remains to be seen whether the taxes called for under the law can be collected. Would it not be easier to collect the taxes if the value of the currency was made definite and was either legislatively stabilized or practically stabilized at some given value? Would it not be quite possible for France to stabilize its currency if it could arrange credits, not extremely large ones, to protect the currency from speculative onslaughts? Would there be any question about the ability to obtain such credits if a basis for adjustment of her external debts had been fixed?

It is true that the flight of capital continues and that capital will only return with stabilization. However, it appears the difficulties in the countries having unstable currencies are not insurmountable.

#### GREAT BRITAIN AND ITALY

To touch on the conditions in some of the other countries—

Great Britain does not show any great changes. Her greatest difficulty apparently lies in the coal question. The resumption of the gold payments has worked out as planned and to the satisfaction of its proponents. There is less

unemployment than a year ago, such reduction is due more or less to artificial causes. The outlook for British trade is better than for several years.

In Italy the most important thing is the fact that Italy reached a basis for the adjustment of her indebtedness to England and likewise with the United States war debt commission, just confirmed by the United States Senate, and while this indebtedness so fixed forms a burden which must be carried by the next generation or so, yet it eliminates one of the unknown factors and has put Italy in a position for obtaining loans and generally the conditions in Italy are good.

Austria, working under the plan of the League of Nations, appears to be in a satisfactory financial position. The state revenue exceeded the budget estimate; the bank rate has been reduced and the reserve of the National Bank has been increased. Here again, as in Germany, is a crisis in production and marketing and there is a marked increase in unemployment.

Czecho-Slovakia seems to be carrying on very satisfactorily and for the year 1925 shows a marked increase in foreign trade with a favorable trade balance of 1,205,000,000 Czech crowns. Through the medium of a new central bank the government has legislatively stabilized the Czech crown at the rate of 33.85 to a dollar and the new central bank is under contract to keep the crown on this basis of exchange for at least two years.

#### OUTSTANDING EVENTS OF YEAR

The outstanding happenings for the year 1925-26 to date, not chronologically, and not necessarily in the order of importance, would be the Locarno pact, not that it in itself changes the economic situation but rather that it shows a new spirit for composition of difficulties and that spirit in itself will form the background for important favorable economic trends. Next is the additional determina-

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## THE FOREIGN TRADE OUTLOOK

BY JAMES A. FARRELL

**I**N discussing the outlook for foreign trade, it is essential to take into consideration a number of factors, all of which have their bearing upon the problem. Consideration must be given the condition of the world in general which furnishes the markets for American foreign trade; what that trade is today, or rather what it was in the immediate past; and what constitutes the basis of its future growth and development. The world as a whole continued last year the economic recovery and improvement which has marked its course steadily since the close of the war.

It is evident in several ways that the process of accumulation which was interrupted for four years is gaining momentum each year by the added force of its own annual savings. Production is on the upgrade in all the industrial nations, and most of them have brought their international commerce nearly up to its pre-war level.

The figures of thirty-three exporting nations, not including the United States, for the last fiscal year, showed them to be within 7 per cent. of their pre-war volume of trade. The United States and Canada alone of all the trading nations have made a substantial increase over their pre-war status. If America's figures are included in this calculation, the world as a whole is shown to be only 2 per cent. under its pre-war volume at the close of the last fiscal year. There are some indications that this deficiency will be more than recovered in the current year. One such indication, of special significance, is the increased volume of raw material imports, both by the United States and by several of the industrial nations of Europe. That, of course, evidences an impending increase of produc-

tion, and consequently of consuming power.

Consideration of our trade for 1925 discloses some striking facts. It was larger both in value and in volume than in any previous normal year. There



JAMES A. FARRELL

President United States Steel Corporation and chairman National Foreign Trade Council.

were a few years influenced by exceptional war or post-war conditions, when it represented a larger number of dollars, but those dollars represented so much less purchasing power that its physical volume was actually less than now. Reasonable prices tend to extend commerce, maintain production, lessen costs, and increase consumption at home and abroad. Department of Commerce figures show a net gain of more than 1,500,000



tons in volume last year, imports having increased by 2,361,000 tons while exports fell off 823,000 tons. The tonnage figures, when issued, are likely to show a total for the year well in excess of 93,000,000 tons.

Turning from volume and value of this trade to examination of its character, we find that of exports aggregating \$4,818,271,000 the products of manufacture constituted almost 64 per cent. and raw materials less than 30 per cent. These products of American industry comprise finished manufactures, which, by themselves, furnished a little over 38 per cent. of the total, semi-finished manufactures, and manufactured foodstuffs.

It is significant that finished manufactures continue to stand at the head of the list of five great groups into which the official classification of the Department of Commerce divides the exports of the United States. Raw materials are second, and foodstuffs, which for so many years held the right of the line, now bring up the rear.

There is an illuminating fact in the figures of raw material exports. It is that unmanufactured cotton constituted more than three-fourths of that group. It furnished 22 per cent. of America's total exports, and stands first in the list of commodities exported. All other raw materials combined furnished only 7 per cent. of total exports.

Contrasting with this export showing is the import of materials for industry, crude and semi-finished. They were 58½ per cent. of our total imports. To such an extent has the industrial establishment of the United States as a whole developed, that it is dependent, for the fulfillment of the fundamental condition of prosperity — occupation — upon a steady inflow of raw materials from foreign sources, aggregating at least \$2,000,000,000 a year in value, and constituting three-fifths of our total imports. Curtailment of such supplies, or abnormal prices for them, inevitably affect industrial activity in all countries and, in this connection, it is realized that na-

tional trade is the basis of national livelihood.

The first nineteen items on America's export list last year account for 60 per cent. of our total exports. They included all the factors which contributed 1 per cent. or more of the total. Of these nineteen items, only five were crude materials, including raw cotton, tobacco, wheat, coal and crude oil. The remaining fourteen were either finished manufactures, such as automobiles, cotton cloth, wheat flour and agricultural machinery, or articles partly processed, such as refined oils, sawed lumber, leather and steel products.

The next eighty-three items on the list furnished in the aggregate only 24 per cent. of our total exports, their totals ranging in value from \$25,000,000 down to \$6,369,000,000 which was the figure for rubber foot wear.

Then follows an unnumbered and almost innumerable group classified as "all other exports," constituting 15 per cent. of the total. Not an item in this list was nearer the top than 100, or contributed as much as one tenth of 1 per cent. of the total. Yet their aggregate value was \$719,970,000.

#### THE CHANGE FROM PRE-WAR DAYS

In these figures we have a glimpse of what has been going on in the way of development of the foreign trade of the United States in the last ten or fifteen years, and of what is before us for the next decade. Here stands clearly revealed the great change that has taken place since the placid days before the war. Then foreign trade was incidental and occasional with all but a relatively small number of our manufacturing concerns. Then it was only here and there that a manufacturer gave steady thought to the advantages of sharing in foreign markets, and American overseas commerce was spoken of slightly as representing "only about 4 per cent. of the total." Now far and wide throughout this country manufacturers, agricultur-

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## BRINGING THINGS TO AN ISSUE

BY RICHARD W. SAUNDERS

ONE of the most serious things in life is to know just when and how to take the final step that ends all indecision and results in bringing to some close the matter under discussion. The preliminaries, while important, seem more or less of a game; that is, we enjoy them and work through them with more of a zest. New facts are added, new plans are weighed and estimated, new theories are propounded and the general movement has been continuous and pleasant. There is also the somewhat comforting thought that there is plenty of time in which to decide. In fact, unless pressure is brought to bear, most people would willingly let a matter drift until the last possible moment before facing the strain of a decision.

A great many people would prefer not to make a decision at all. A celebrated general is said to have put all his letters aside, unopened for days, and then to have rejoiced over the number of questions that had settled themselves meantime. It is often the best thing in the world to put a problem in the bottom drawer of the desk and let it, with the help of time, quietly die away. What would committees do without the "table" on which so many questions have been "laid?"

Others again, seem to enjoy making a decision even before all the evidence has been produced. Such people apparently believe that their minds can leap to the right conclusion without the labor of weighing the facts pro and con. In fact a school of philosophy some years ago enjoyed a certain vogue through placing this instinct before the slower process of decision through the use of the reasoning processes. This is simply a lazy attempt to avoid the labor of thinking, and has probably caused as much error as any other false theory of

life. In making such decisions one is likely to be right now and then but there is no certitude about such a "hit or miss" mentality.

To bring a certain question to an issue the old English "pleadings" in the courts of law and equity were developed to a tremendous extent. After the plaintiff had made his declaration, the defendant would answer and then if necessary to clear the issue, would follow rejoinder and sur-rejoinder, rebuttal and sur-rebuttal. All extraneous issues would thus be cleared away and the main issue left clearly upon which to base the final adjudication of the case. In some such manner as this, the mind should be taught to work, getting as quickly as possible to the kernel, the very heart of the matter.

There are times, however, when it would appear best to "evade the issue," which expression has thereby become an idiom. Because a person asks or demands a reply, it does not follow that he is entitled to it. There is an old story of a man carrying something under his cloak, who when asked what it was, replied "I am carrying it under my cloak so you cannot see what it is."

Citing another old English pleading, there is what is called "confession and avoidance." This is equivalent to saying "Admitting the truth of the facts you state, what of it? The conclusion you suggest does not necessarily follow." One also recalls Touchstone's methods of avoiding a quarrel even after the "lie direct" has been passed.

Each question, therefore, requires a thoughtful decision as to the advisability of forcing an issue or evading it. This gives an opportunity for a careful assembling and consideration of the facts, so that, issue joined, one can confidently expect to win.



## PUTTING THE ADVERTISING FAKER OUT OF BUSINESS

BY OSBORN F. HEVENER

IT seems important to the writer that attention should be drawn to the great number of advertising miscreants who daily work their nefarious schemes upon thousands of unsuspecting bank officials. Clever directory and program promoters flourish because of the reputation of bankers for gullibility. Never before have there been so many solicitors abroad with spurious publications, and this in spite of organized agencies to stamp out the illicit trade. Indeed, the writer has been told reliably that in 1925 at least \$1,000,000 was handed out to these highwaymen in the form of contracts for advertising in miscellany that never existed, or, if printed, had no circulation beyond the actual number of copies needed to present to "advertisers" as proof of publication. Think of this! And the writer is informed, and has reason to believe that the figures for the current year will make that of 1925 pale in comparison.

### DIVISION OF THE SPOILS

The writer is solicited at least once a week by some representative of a "promoter's pet." By a "promoter's pet" is meant the program, for instance of some fictitious charity which has been placed in the hands of a professional who has a huge staff of ex-mendicants, bar-tenders and breadliners at his elbow who daily scour the city for victims who are, evidently, not so hard to find. The boss never takes for his honorarium anything less than 60 per cent. of the proceeds and the "lieutenants" and proprietors of the program grab what is left.

Fortunes for these promoters come out of pushing their "pets." The writer understands there is one of these "get-rich-

quicks" with an office that stands within a stone's throw of the Municipal Building in New York City whose reputed income is \$200,000 of tainted money annually! This huge sum is nothing more or less than "sucker" money—money paid for absolutely worthless advertising. Moreover, the good intentions back of many of the donations are lost upon the desert air, inasmuch as practically none of the funds ever reach the intended channels. The pity is that the operations of this wholesale flim-flam man are always just out of sight of the authorities. Often the promoters keep within the law by printing a number of copies in order to support their circulation claims, but they never extend themselves further than to distribute such issues at random around subway stations or toss them in bulk, off the Battery.

### TWELVE FAKES TO ONE BONA FIDE

In the directory field alone it would appear that there are at least a dozen fakes for every bona fide book published. Probably this type of publication attracts the promoter because it is one of the easiest tricks to put over, due to the opportunities that exist of puffing it up, while at the same time the prospective advertiser is in no position to check circulation statements of his own accord. Right now there are two men in uptown New York, brothers, who are cleaning up on directory swindles. One or the other is always in jail but, judging from their continuous output, they can't be stopped.

During a certain week recently, three different solicitors walked into the writer's office at various times, and, placing an opened book on his desk, asked, "Don't you want to renew your listing

in . . . . . directory? Only \$15. There's your last year's listing." They pointed to a space where the name of the writer's bank, its officers, its capital, surplus and undivided profits were printed, together with the addresses of its main office and branches. On the cover of the "Directory" besides the name was printed, "1924." In each case the solicitors were asked if they could show last year's contract. They couldn't. Could they prove that they had ever been paid for the listing they had shown? Well, they would look it up. Very soon they were on the way out and in a hurry! For the directories they had produced the writer had never seen or heard of before—very logically, because the books had probably seen the light of day only a few weeks previously, when undoubtedly just enough copies for the salesman's use had been run off and the date 1924 been stamped on to give the volumes every appearance of old directories. A later search of the records, verified that the bank had never paid a cent to these people. The information which they had printed about the bank could have been, and likely was, obtained from a public source.

#### FAKE MAGAZINES TOO

Still another scheme being worked successfully in New York today, the publishing of fake magazines, is bringing tidy returns for the bosses behind them. These magazines are called "dope sheets" by the responsible publishing profession, and the editorial matter consists entirely of blurbs written about business men to whom attention may have been paid in the press, due to a recent advancement in executive position; articles concerning notoriety seekers, who pay for their publication; paid write-ups of men who have commercial axes to grind; editorial notices of new products which are purely advertising matter. In almost every instance, a photograph is published. Any good advertising man knows a sheet of this kind as if by smell!

#### CATCH PROVISIO IN CONTRACT

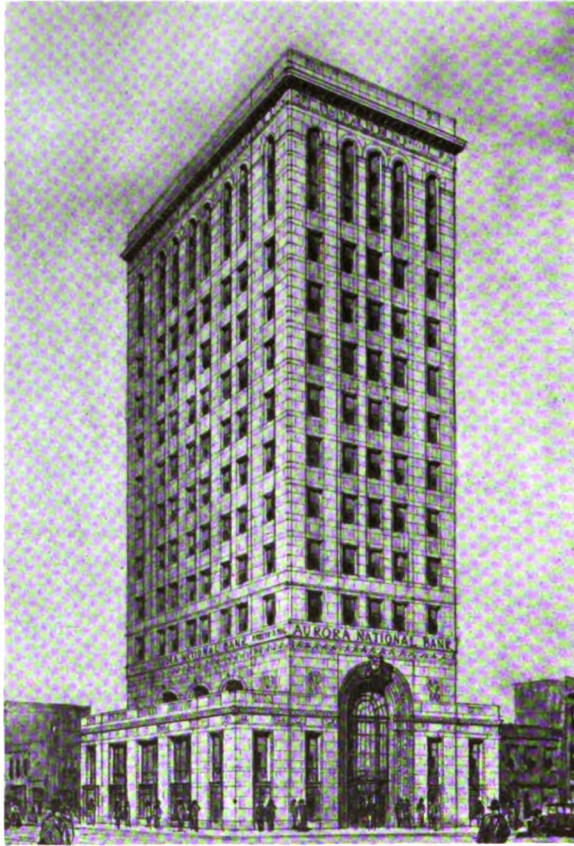
Now no manifest wrong lies in all this, but here is what the proprietors do: after securing your picture and a page of copy about your career, etc., they ask you to sign an unsuspecting piece of paper, which apparently calls for a few numbers of the magazine for checking purposes, but which closer examination reveals is an order for so many copies at, say, \$15 per lot of a hundred. This proviso is contained in small, very small, type. One such magazine that was inspected lately had, as its editorial purpose, "Devoted to Commerce, Industry, Real Estate, Finance, Investment, Manufacturing and Kindred Lines." Imagine a publication designed to cover such a broad field that could amount to anything! Incongruous right on the face of it, you say, and yet captains of industry are supporting these magazines due to their gullibility and apathy concerning the facts.

Just such a publisher had the temerity to run a full page advertisement of the writer's bank on the inside front cover of his fake periodical a few months ago, in order to strengthen his appeal to other advertisers, particularly financial houses, and to give the impression that such a respected organization had thus given it the stamp of approval. Upon tracing the origin of the material which they had used, it was found that copy from a publicity release that had been generally distributed to all the papers had somehow gotten into their hands, together with a cut sent out at the same time, and that they had set this matter up in the form of an advertisement. The publisher very promptly withdrew the advertisement when formally notified to do so.

The remedy suggested for the situation is:

1. Investigate very carefully in your own office before signing any advertising contract about which you're not absolutely sure.
2. Subscribe to the service of an in-

(Continued on page 894)



The Aurora National Bank Building,  
Aurora, Illinois

**V**IRTUALLY all of our buildings are developed under our preliminary service contract under which we submit a series of sketches, analyses and cost estimates covering one or more types of buildings which seem best suited to the site to be improved. Such preliminary employment entails no obligation on the part of the client other than a very nominal fee covering our costs. Full particulars with a typical actual submission under one of our preliminary service contracts as above described gladly furnished upon request.

## WEARY AND ALFORD COMPANY

Bank and Office Buildings  
1923 Calumet Avenue, Chicago



## BANKING AND COMMERCIAL LAW

Presentment of Check for Payment, *Maronde v. Vollenweider*, Springfield, Missouri,  
Court of Appeals, 279 S. W. Rep. 774.

**T**HE Negotiable Instruments Law requires that a check be presented for payment within a reasonable time after its issue. If the holder of the check fails to present it within such time, the drawer will be discharged from liability to the extent of any loss sustained as a result of the delay. For instance, if the drawee bank fails before the check is presented, the holder will not be permitted to enforce the check against the drawer but must bear the loss himself.

In the present case, the check was forwarded for presentment by a circuitous route and the question was whether it had been presented within a reasonable time so as to charge the drawer with liability. It was held that notwithstanding the roundabout route by which the check was sent, the presentment was within a reasonable time and the drawer was liable.

It appeared that the check was drawn by the defendant on a bank at Vale, Ore., and delivered to the plaintiff at Brogan, Ore., on October 21. There being no banks at Brogan, the plaintiff mailed the check promptly to a bank in Ontario, Ore., in which he kept an account. On its way to Ontario, the check passed through Vale. The cashier of the bank at Ontario, in accordance with the custom of his bank, sent the check to Portland, Ore., some 400 miles distant, "which was the nearest clearing house that we could use." The bank at Portland delivered the check to the Federal Reserve Bank at Portland by which it was sent back to Vale, where it was presented for payment on October 26. Payment was refused for the reason that the drawee had closed its doors two days before. The route traveled by check is indicated in the diagram on page 849.

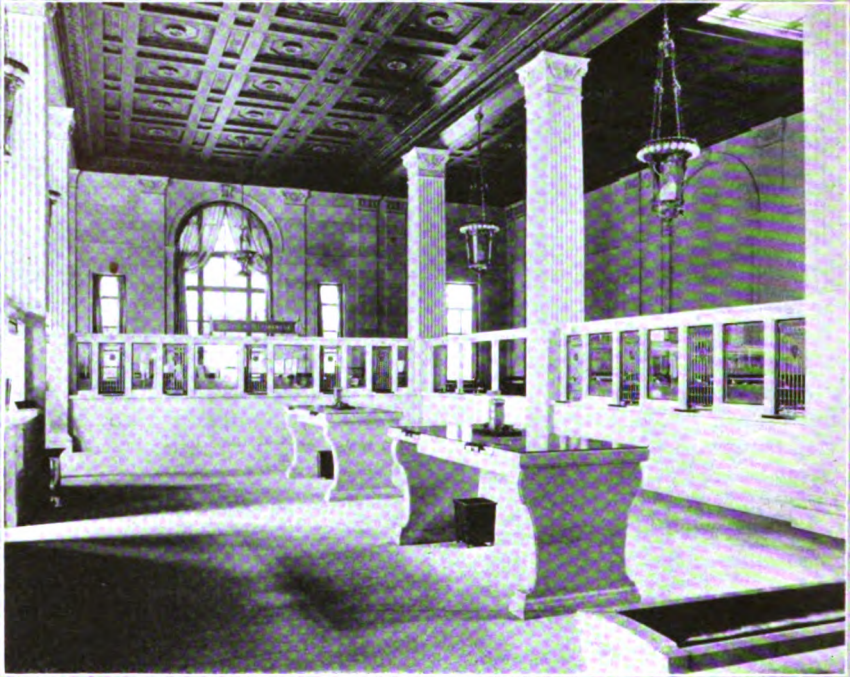
The court held that the check was presented within a reasonable time and that the defendant as drawer still remained liable to the plaintiff notwithstanding the fact that the check would have been paid had the plaintiff forwarded direct to Vale in the first place.

### OPINION

**BRADLEY, J.**—This is a suit on an account. Petition was filed in Webster county, but the venue was changed to Greene county, where the cause was tried before the court without a jury, and the finding and judgment went for defendant, and plaintiff appealed.

The petition is in the usual form. The answer pleads a discharge from liability, said plea being based upon the alleged negligence of plaintiff in presenting a check, given him by defendant, within a reasonable time. A reply put in issue the new matter pleaded in the answer.

Plaintiff resides at Brogan, Ore., and defendant at Seymour, Mo. Defendant went to Oregon in 1921 and engaged in buying and shipping apples, and did a banking business at the United States National Bank of Vale, Ore. Defendant purchased apples from plaintiff, and on October 21, 1921, gave plaintiff a check on the United States National Bank of Vale, Ore., for the sum of \$1,207.95. There was no bank in Brogan where plaintiff resides, so he did his banking business with the Ontario National Bank of Ontario, Ore., and with the United States National Bank of Vale. Brogan is at the north terminus of a branch line railroad that runs out from Ontario. Vale is about midway between Ontario and Brogan on this branch line. On receipt of the check plaintiff mailed



## CRITTALL *Steel Casements*

*Liberty Trust and Savings Bank, Chicago, Ill.  
Weary & Alford Company, Architects*

The detail of windows has received increasing attention in the transformation of banking architecture from the grim money temples of recent decades to the beautiful inviting structures that serve today and the future.

Crittall Casements have won a natural preference in this field, because with their grace and harmonious beauty they give intensely practical advantages—maximum light, precise ventilation control, guaranteed weather-tightness, and lasting durability.

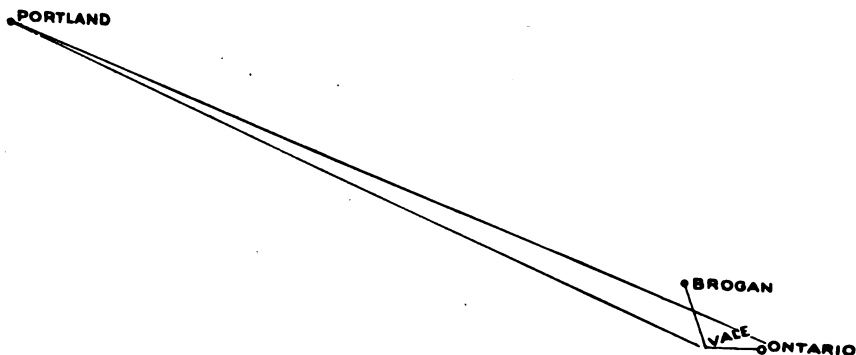
Hand made to any design, Crittall Casements have almost unlimited range of application. In standard sizes, the Reswin Casement, built by Crittall, gives important savings in cost with all the quality of Custom built Crittall types.

*All Crittall Casements and Windows are  
made of Crittalloloy—the Copper Bearing Steel*

---

CRITTALL CASEMENT WINDOW COMPANY, *Manufacturers*

10965 HEARN AVENUE, DETROIT, MICHIGAN



The check, drawn on Vale, was delivered to the payee at Brogan, sent to him through Vale to Ontario, from there to Portland, and then back to Vale where it was presented four days after delivery and two days after the failure of the drawee bank.

it, on the first mail out, to the Ontario National Bank, where he had an account. The Ontario National Bank sent the check to its correspondent in Portland, Ore., and it passed through the Federal Reserve Bank of Portland and was presented at the United States National Bank of Vale, the bank upon which it was drawn, October 26, two days after this bank had failed, and payment therefor was not made.

The learned trial court made a finding of facts as follows:

"The court finds: That Brogan is a small town, without banking facilities, at the end of a branch line which leaves the Union Pacific Railroad at Ontario, Ore. Ontario is about forty miles distant from Brogan, and the town of Vale is on said branch line about halfway between Brogan and Ontario. Vale, at the time of the matter in controversy, had three banks, and Ontario had one or more banks. There is a daily train each way on said branch line between Brogan and Ontario, which train passes through Vale. There are express offices in Brogan, Vale, and Ontario. Some time prior to October 20, 1921, defendant purchased certain apples from plaintiff at an agreed price, the amount sued for by plaintiff. On the afternoon of October 20, 1921, the defendant gave the plaintiff a check on the United States National Bank at Vale, Ore., for the

purchase price of said apples. The plaintiff, on the next morning, October 21, 1921, sent this check by mail for deposit in a bank in Ontario. This check passed through Vale and arrived at the Ontario bank on the afternoon of October 21, 1921. The Ontario bank, instead of sending it to Vale for collection, forwarded it to the Northwestern National Bank in the City of Portland, Ore., some 400 miles away, and said Northwestern National Bank sent said check to the Federal Reserve Bank in Portland, Ore., and the Federal Reserve Bank then sent the check back over the same line it had come through Ontario to Vale, Ore., for collection. The check arrived in Vale, Ore., on its return journey on the 26th day of October, 1921. In the meantime, namely, on October 24, 1921, the United States National Bank of Vale closed its doors and stopped business at about 2 o'clock in the afternoon. And when said check was presented, the United States National Bank of Vale was closed, and the check was protested. That the town nearest to Brogan containing banking facilities is the town of Vale.

"The court further finds that the defendant had sufficient funds in the United States National Bank of Vale from the time the check was issued until the bank closed its doors to pay this check and all other checks that he had



issued, and that said check would have been paid if it had been presented for payment prior to the afternoon of October 24, 1921, when the United States National Bank of Vale closed its doors. That plaintiff had been regularly keeping an account in said United States National Bank of Vale, and also kept an account in the bank at Ontario. That if said check had been sent directly to a bank or other agency in Vale it would have been presented in the regular course of business at the latest on the afternoon of October 22, 1921. That the forwarding of the check through Vale to Ontario and from Ontario to Portland, Ore., and then from Portland, Ore., back over the same line through Ontario to Vale was an unnecessarily circuitous route, and delayed the presentation of the check to such an extent that the loss should fall upon the payee of the check and not upon the drawer. That no custom had been shown which will justify the forwarding of said check by such circuitous route, and that if any such custom were shown it would be an evasion of the legal duty of the Ontario bank to present said check for payment within a reasonable time."

Plaintiff received the check about 3 o'clock in the afternoon of October 20 and sent it out on the first mail thereafter, which was the next morning, for deposit to his credit in the Ontario National Bank. The deposition of the cashier of the Ontario National Bank was read in evidence. He testified that the check was received by his bank some time in the afternoon of October 21, and the amount thereof was placed to plaintiff's credit; that his bank handled daily thirty or forty checks drawn on banks in Vale; that his bank sent such checks to the Northwestern National Bank of Portland, which was the nearest clearing house; that the check was forwarded on the evening of October 21; that the action taken by the Ontario National Bank respecting this check followed the custom.

It is plain that the check after it

reached the Ontario National Bank was handled as all other checks on banks in Vale were handled, and if plaintiff is to be defeated it must be upon the theory that he was guilty of negligence: (1) In not immediately taking or mailing the check direct to the United States National Bank of Vale; or (2) that it was negligence on the part of the Ontario National Bank to handle the check as it did all others drawn on banks in Vale. To state the first proposition is to answer it. Defendant does not contend that plaintiff should have, by the quickest means and manner, presented, in person or by messenger or other agency, the check to the United States National Bank. Such conduct would have bespoken the character of an individual who usually loses his money by placing more confidence in old shoes, old cans, knot holes, etc., than in the banks of the country. Hence we may pass to the second proposition.

No statute or decision was introduced, and no claim is made, that the laws of Oregon, where all the transactions respecting the subject-matter of this cause occurred, are different to the laws of the forum. A check must be presented for payment within a reasonable time after issue, or the drawer will be discharged from liability to the extent of the loss caused by delay. Section 972, R. S. 1919. In determining what is reasonable or unreasonable time, regard is to be had to the usage of trade or business respecting the instrument and the facts of the particular case. Section 982, R. S. 1919. When plaintiff's conduct respecting the check is measured by the rule prescribed by the statute we do not find that he was remiss in any particular. The great weight of authority is to the effect that a collecting bank which takes for collection paper payable at a distance is guilty of negligence in sending it direct to the bank or person by whom payment is to be made. 3 R. C. L. p. 627, § 255. The following

[Continued on page 890]



# RATIO AND GRAPHIC ANALYSIS

By M. E. ROBERTSON

MANY are, no doubt, familiar with the type of statement analysis developed by the Robert Morris Associates under the direction of Alexander Wall. Mr. Wall has written two books covering this type of analysis, which is based upon eight ratios taken from the balance sheet and income statement. These ratios are as follows:

- Current assets to current liabilities.
- Merchandise to receivables.
- Net worth to fixed assets.
- Net worth to funded debt.
- Sales to receivables.
- Sales to merchandise.
- Sales to fixed assets.
- Sales to net worth.

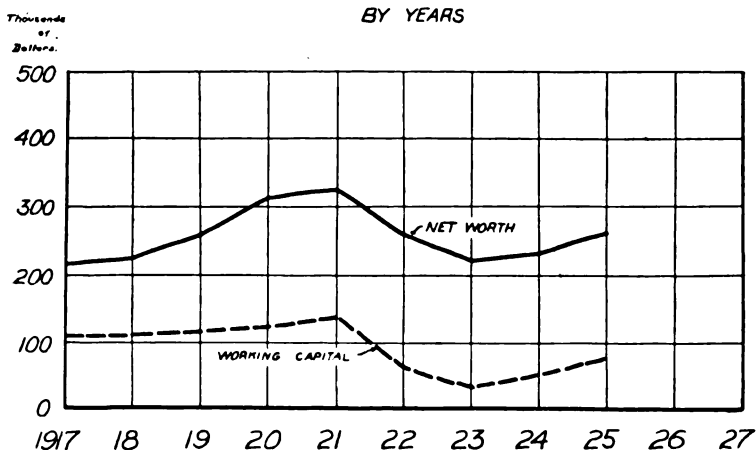
To each of these ratios, Mr. Wall assigns a weight. To the current ratio he will assign a certain percentage value, to merchandise receivables ratio a certain percentage value, and so on with each ratio, the total of the percentages for the

eight ratios being equivalent to 100 per cent. From these weights, and also by a comparison with the same ratios taken from a model statement of companies engaged in the same line of endeavor, he arrives at an index of the statement of the particular company he is analyzing.

## MODEL STATEMENTS FOR COMPARISON

The model statement, as it might well be called, is a consolidated balance sheet of a number of companies engaged in the same line of business, such statements all being as of approximately the same date. The Robert Morris Associates now prepare such model statements for a number of lines of business over a considerable period of years. These statements are made possible by member banks contributing to the association statements for this purpose. It is necessary, of course, to have sales in each instance where the figures are to be used as a number of the ratios embody sales.

## COMPARISON OF NET WORTH—WORKING CAPITAL.



An example of graphic analysis of a company's position, showing the relation of working capital to net worth over a series of years.

Mr. Wall has carried this type of analysis to a very fine point, and there is much to it of value. It is exceedingly interesting, and worth devoting considerable study to it, although there are those who regard it as largely academic.

The value of preparing a consolidated statement of a number of houses in the same line of business and using such a consolidated statement as a standard or basis of comparison is in general undisputed. Of course, if the statements were grouped according to locality and particular other features which might have a bearing upon the showing reflected, it would naturally add to the importance of such showing for comparison purposes.

#### NO STANDARD PROFIT AND LOSS FIGURES

It is the weighting of ratios and the index that has not been quite so generally accepted. As yet, the association has developed nothing in the way of standard profit and loss figures for various lines of business. This is due to the fact that there are not in general sufficient data available to make such a study of value. If, however, the information could be compiled, it would be of exceedingly great value and interest.

There are also those who argue the value of merchandise to receivables ratio. The following ratios have been taken by the writer to be ratios of most importance in the statement, and have been grouped as follows, headings indicating their significance.

*Ratios relating to degree of liquidity:*

Current assets to current liabilities.

Cash to current liabilities.

Cash and receivables to current liabilities.

*Ratios relating to profitableness and activity of stockholders' money:*

Profits to net worth.

Sales to net worth.

*Ratios relating to productivity and earning power of fixed assets:*

Sales to fixed assets.

Profits to fixed assets.

*Ratios relating to apportionment of stockholders' and creditors' money:*

Net worth to fixed assets.

Net worth to debt.

*Ratios relating to turnover, collection policy and per cent. of profits:*

Sales to merchandise.

Sales to receivables.

Profits to sales.

Ratios like the above form an excellent basis for comparison when contrasted with the same ratios as deduced from a model statement for the same year. Where model statements for certain lines of business are not available, and even in cases where they are, an excellent comparison can be made by contrasting the statement under consideration, or the ratios deduced therefrom, with the balance sheet of one or two well managed companies in the same line of business, operating under similar conditions. This is a highly desirable basis of comparison. Companies can be taken which are located in the same city or section, doing the same identical type of business, and to the analyst familiar with each, it is a simple matter to arrive at conclusions as to where one is out of line with the other.

#### ANALYZING BY MEANS OF GRAPHS

An excellent means of analyzing is also by the use of the graph. This method is probably not used to any extent in the usual credit department, but it portrays in a splendid picture way the trend of the company. While the business of making graphs in its more developed state is naturally complicated, for the purposes of the analyst or credit man, it can be used in a most elementary and simple way. There are many types of graphs, but for the purpose of this article they will be discussed in their most simple form. However, to anyone interested in this particular type of analysis it would be well worth while to devote some time to a study of graphs before becoming too much attached to the simple elementary form shown on page 851.

This graph, shown above is a simple one, made to show the trend of net worth and working capital over a period

of years. This, while a simple little chart, portrays a picture in a vivid manner. Of course, other lines can be added; perhaps a line showing the trend of fixed assets, which would readily show money which went largely into fixed assets rather than into working capital up to 1921, etc., etc.

The graph, in this simple manner shown, is nothing more than an area of squares. Each square horizontally represents a period of time, and each square vertically represents a certain amount of money. Half a square vertically represents half the amount of money represented by a full square. In preparing the graph, it is simply a case of plotting points on the time line, in the case above, each year, to show the amount of net worth and amount of net working capital at that particular time. These various points are placed for each year, and then the lines joined together. Of course, this graph only has points plotted as at the close of each year, and it is, therefore, not proper to say that, for example, midway between one year and another, the company had so much in net worth or working capital, as indicated by the particular line. It is a case of the graph showing growth from year to year, and the company's trend year by year, rather than joining two points together and saying that the line indicates trend week by week during that year. To make this point clearer, the company may have \$200,000 net worth at the beginning of the year, and \$300,000 at the end. These two points are located on the graph, the one at the end of the previous year, and the one at the end of this year. The company may have made this

whole \$100,000 during November and December, and therefore, while the graph line may be opposite in what would be the month of June, \$250,000, it is evident that the company did not have that much net worth at that time.

#### SOME SIMPLE RULES FOR MAKING GRAPHS

It is possible to obtain graph paper ruled in various ways. There is much paper available without any printing upon it, as to periods of time, etc., and the analyst can mark it out as to periods of time (years, months, days) and amounts of dollars (hundreds, thousands, hundreds of thousands, etc.) to suit his particular needs. It is a simple matter to plot the points once the field is prepared, and when completed an excellent eye picture is made. The graph can be excellently applied to use when it is desired to compare one company with another by plotting the trend of both companies on the same graph. Various colored inks make lines readily readable. It is well, however, to refrain from putting too many lines on the same graph, as conflicting lines only make it difficult to read. Also, the field must be carefully worked up. Do not put periods of time too close together or too far apart. If too close together, and a sudden change takes place in the company's affairs, the line will jump almost vertically, while, if the points are too far apart the proper picture is not given. So also with amounts. If the lines which are to be plotted will range from \$100,000 to \$500,000, it is well to divide the spaces to reflect this area, and not to cover an area from 0 to \$1,000,000.

*The latest*  
**FINANCIAL  
 STATEMENT**  
*of New England's largest bank*

*as of April 12, 1926*



**RESOURCES**

|  |  |                                |
|--|--|--------------------------------|
| Cash and Due from Banks.....                     |  | \$68,518,249.80                |
| United States Securities.....                    |  | 26,822,029.62                  |
| Loans, Discounts & Investments.....              |  | 261,568,551.87                 |
| Banking Houses.....                              |  | 9,911,360.37                   |
| Customers' Liability Account of Acceptances..... |  | 23,903,571.97                  |
| Accrued Interest Receivable.....                 |  | 854,401.37                     |
| Items in Transit with Foreign Branches...        |  | 718,687.00                     |
| <b>Total</b>                                     |  | <b><u>\$392,296,852.00</u></b> |

**LIABILITIES**

|   |                 |                                |
|---|-----------------|--------------------------------|
| Capital.....  | \$20,000,000.00 |                                |
| Surplus & Profits.....  | 24,215,568.47   | \$44,215,568.47                |
| Reserved for Interest, Taxes and Unearned Discount.....                         |                 | 2,301,349.73                   |
| Deposits.....   |                 | 294,736,169.59                 |
| Liability as Acceptor, Endorser, or Maker on Acceptances and Foreign Bills..... |                 | 50,043,764.21                  |
| Bills Payable.....  |                 | 1,000,000.00                   |
| <b>Total</b>  |                 | <b><u>\$392,296,852.00</u></b> |

*The* **F I R S T**  
 NATIONAL BANK *of*  
**BOSTON**

1784 :: :: 1926

MAIN OFFICE: 67 MILK ST.

*Foreign Branches*  
 BUENOS AIRES AND HAVANA

*European Representative*  
 24, OLD BROAD STREET, LONDON, E. C. 3

## A BETTER BANKING SYSTEM

[Continued from page 804]

and of our banking situation in general. We are in more need of getting a correct understanding of these matters, and wise action concerning them, than we are of an immediate rechartering of the Federal Reserve Banks.

### CAPITALISM—OR WHAT?

IN instituting in the pages of its May number a discussion of what is commonly called "the capitalistic system," THE BANKERS MAGAZINE acted in the belief that the benefits of this system could be made clearer by asking its opponents to state their objections to it and what they have to offer as a substitute for it.

At present, thanks to our widely-prevailing prosperity, the capitalistic system is not under attack, except by a certain radical element in the community. But in some other countries, where the economic situation is less favorable, conditions are different, and the capitalistic system is being seriously attacked.

A time like the present, when most of our population are happy and well employed, is more favorable to the dispassionate discussion of this subject than when labor is largely unemployed and there is widespread distress.

It is a significant fact that, in the United States, the workers in the leading industries are showing a strong tendency toward owning those industries, and thus becoming capitalists themselves. This movement would probably be accelerated if there were a better understanding on the part of the masses of the workers as to just what is meant by "capitalism" and the "capitalistic system." It is hoped the discussion begun in the last number of THE BANKERS MAGAZINE, and to be continued in the July number, may help in bringing about this better understanding of what is a very important subject.

Many observers from other countries

attribute our continued prosperity largely to the fact that here, better than in any other country, have been worked out harmonious relations between employer and employed. No doubt this view contains a great deal of truth, and it is a worthy aim to promote the spread and preservation of this co-operation between those whom we style "capitalists" and "laborers"—terms which are now generally understood to be inaccurate. This aim constitutes the justification for the discussion begun in May and to be continued next month, conducted by men of eminent ability, representing different points of view.

### "NONE OF OUR AFFAIR"

We do not become involved in the political controversies of other countries because they are none of our affair.—*President Coolidge.*

IT would be manifestly unfair to the President to quote the above unfortunate expression without referring to the address from which it was taken. One might infer that the President was expressing a rather contemptuous indifference toward other nations; but, as a matter of fact, he was expressing exactly the contrary view. In the address in question he pointed out how deeply we were concerned in the welfare of other countries, and our willingness to cooperate with them to the extent consistent with our national policy. What the President meant to say was that we do not meddle with the political controversies of other countries, because they are none of our business.

Now, this might be a very safe and comfortable position could we only be sure that it will last. Just now we may not be concerned with the political affairs of other countries, but who shall say what will be the situation in a week, a month, or a year? We are, in fact, much concerned just now in political af-



**National Bank of Commerce, New London, Conn.**



**C**LD in years and traditions, but young in spirit, this oldest bank in New London, Conn., the National Bank of Commerce, is housed in a modern banking home in keeping with the colonial spirit of the city and the enterprise which pervades it. Made from the plans of

**Thomas M. James Company**

**3 Park Street, Boston**

**342 Madison Ave., New York**

*Architects and Engineers*

**We would be glad to help you solve your  
bank building problem**

*Write us for booklet*

fairs in China, and we may manage to get along on President Coolidge's comfortable doctrine of "let be," and we may not. And can we say that European politics are of no concern to us? They suddenly became of vast concern in 1914, and may become so again at any time. Many think that, since the signing of the armistice, we have shown much less concern with European politics than was our right and duty, in view of the part we played in the Great World War. We are talking of disarmament, and that is

a vital European political question. Our huge loans are bound to make us increasingly interested in the politics of Europe. Ought we not to be interested on grounds less selfish? The nations of the world are vitally concerned in the politics of one another, seeing how closely finance and commerce are affected by political conditions and policies.

"None of our affair;" almost as unfortunate a phrase as "too proud to fight."

## WHY THE RESERVE BANK CHARTERS SHOULD BE RENEWED NOW

[Continued from page 806]

is in a prosperous condition. There is little evidence of any considerable discontent of any kind; and the appreciation of the advantages of the system is probably more widespread than ever before.

Just how the renewal is to go through Congress must, of course, be left to the leaders in the two Houses. It seems not inappropriate that the bill which so properly provides indeterminate instead of limited charters for national banks should also change the charters of the Federal Reserve Banks from limited to indeterminate ones. If the McFadden Bill amendment will most readily serve the purpose of releasing the Reserve Banks

from the uncertainties of a limited lease of life, no objection can be made to it. That the committee was unanimous in recommending the McFadden Bill to the Senate with a charter extension provision gives hope that the amendment will prove a satisfactory legislative form. Its proposers state: "We want to perpetuate the Federal Reserve System and, as we are legislating generally on banking questions, we decided to adopt this amendment."

Secretary Mellon prepared the foregoing article for THE BANKERS MAGAZINE shortly after the amendment to the McFadden Bill was proposed, providing for an indeterminate extension of the Federal Reserve Bank charters.—THE EDITOR.

## PIONEERING IN THE AMERICAN INVESTMENT TRUST FIELD

[Continued from page 811]

eign investments. The creation of investment trusts in the United States comes in answer to fundamental needs transcending such factors as distance, varying economic and financial systems, and political barriers. In part it results from the growing complexity and variety of publicly offered securities, domestic and foreign—a circumstance adding to

the difficulty of efficiently placing and distributing one's capital as much as it increases investment opportunities for those possessed of unusual wisdom or good fortune. In part, the creation of investment trusts is the logical consequence of a vast expansion, during the last ten years, in the ranks of American investors. It has been estimated that, of



the twenty million or more people in our country who purchased Liberty Bonds, some four or five million at least have continued to develop investing habits. War readjustments in the national wealth have made this possible. Maintenance and development of the present business and financial structure have rendered it essential. The general diffusion of knowledge, however, cannot possibly keep pace with this broadening of the typical investor's horizon and this democratic multiplication in his ranks.

In this connection, it is none the less encouraging to note the greater care with which individual investors are studying their own investment problems and the conscientious service which an increasing number of banking houses are endeavoring to render the public. The recent report of the National Association of Credit Men to the effect that credit executives tend to be more interested in published facts and basic data than in private opinions of market trends aired by business men is thoroughly typical of the more objective thinking which characterizes the present day.

To a very much greater extent than before the war, for instance, the banker's advice is sought on investment problems and the investment service equipment which larger banks throughout the country are rapidly developing, is at once a tribute to public sanity and a proof of the banking fraternity's recognition of its responsibilities to the community. While, unfortunately, the "herd instinct" seems as strong as ever among stock exchange speculators, it is significant that brokerage and investment banking houses are outbidding each other in offering, so to speak, a "tailor made" investment service to their clients, taking into consideration almost every pertinent concern of the customer—his age, income, dependents, insurance, tax position, present holdings, commitments, plans for the future, and so on.

In all this, however, is to be found only an added reason for the develop-

ment of American investment trusts. It is indeed a mistake to assume that these institutions are essentially a foreign importation, grafted on to the main stock of American financial organization. On the contrary, if regarded as a logical, and in many cases the most complete possible expression of the principles of investment service gaining such headway in the United States today, the investment trust may be considered an indigenous plant growing in the native soil of American need.

#### THE PIONEER AMERICAN INVESTMENT TRUST

It is significant that the International Securities Trust of America, which is generally regarded as the pioneer investment trust in the United States, was organized in 1921 in direct answer to what were considered the post-war problems of the typical American investor. It was assumed that he might reasonably expect as high a return from his capital as is consistent with safety, and that he had a right to seek safety by means of diversifying risk through the medium of co-operative agencies of the investment trust type, rather than by purchasing solely the frequently over-valued "legals," and "gilt-edged" securities. In diversifying risk it was assumed that the capital of the American investor should be employed in part abroad, just as in earlier decades the capital of European investors flowed into the United States. Moreover, the obvious fact was not overlooked that, without a well-equipped investment trust organization, it would be impossible to choose and pick, in other than a haphazard and experimental sort of way, among the more than 200,000 securities and the approximately 100 stock exchanges in the world.

The necessity for constant vigilance in the investment and re-investment of capital—even when it is entirely employed in domestic securities—was another circumstance forcing upon the organizers of this pioneer American invest-



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ment trust the conviction that only a highly trained and specialized statistical organization, constantly functioning, can give to the needs of a group of investors, or of any one of them, that painstaking study which efficiently managed investments require. To recapitulate, the International Securities Trust of America, while attempting at all times to profit from British investment trust experience since the early Seventies, has nevertheless, like certain other recently organized American investment trusts—and financing companies as well—come into being in a way illustrative of the homely maxim that “Necessity is the mother of invention.” In the author’s opinion, such institutions will in time play as important a role in American finance as has long been assumed in London by the approximately 100 British investment trusts with their combined capital of well over \$500,000,000, and the more than 100 financing companies with their capital exceeding \$750,000,000.

As this article, however, deals rather

with the investment trust in America than with the financing company, it will be well at this point to define more exactly the meaning attaching to the former term in Great Britain, the homeland of investment trusts. In a recently published book\* the writer thus summarizes the characteristics of the investment trust:

“The investment trust is an agency by which the combined funds of many investors, both in large and in small amounts, are utilized to purchase such a wide variety of securities that safety of principal is attained in diversification, while no control, or directive responsibilities, result from investment. Furthermore the investment portfolio is so managed that a good average yield is sought on share and borrowed capital, at the same time that close supervision of the portfolio permits a turnover policy aiming at the realization of capital gains, and the avoidance of capital losses.”

\*“Investment Trust Organization and Management” by Leland Rex Robinson. Ronald Press, New York, 1926.

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### FACTORS TO CONSIDER

A consideration of the several factors set forth in the foregoing definition will readily serve to distinguish the investment trust from the financing company. Among these distinctions may be noted the following:

(1) *The degree of diversification in the investments.* The investment trust, as a rule, invests and reinvests its capital in a wide variety of securities, distributing risk over many industries, countries, and types of issue. The financing company, on the other hand, does not generally aim to diversify purely for the sake of diversification. It acquires interests (usually in common shares) in certain enterprises which it assumes will prove highly profitable. Often a considerable number of enterprises will be represented in its holdings, and where a degree of distribution of risk is attained, the term "financing investment trust" might rightly apply.

(2) *The nature of the interest taken*

*in enterprises whose securities are held.*

As indicated above, the point of view of the investment trust is purely that of an investor, and its holdings are too widely distributed and too limited in each issue to give it any directive or managerial responsibilities or interests. The financing company, on the other hand, often acquires a majority or a substantial minority, interest; becomes more or less closely associated with the management of particular business undertakings; and links its own financial success with the wise direction, or otherwise, of its group of associated companies.

(3) *Nature of the earnings.* The financing company, in addition to drawing dividends from associated enterprises, aims to realize profits by building up the latter and ultimately disposing of part or all of its holdings at the enhanced price that increasing earnings permit. Issuing and underwriting profits are commonly enjoyed, while of course borrowing power is frequently exercised

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for the purpose of increasing net earnings.

The investment trust does not enter the issuing field, and, if it engages in underwriting at all, generally does so only in connection with issues eligible for its own portfolio and for quantities it could, if need be, purchase outright and hold for investment. Its normal income results from investment yield on its widely diversified holdings, and from such profits as are realized in the process of reinvesting its capital. Enhancement in the earning power of investment trust shares commonly result, in other words, from (a) a higher average yield than can be safely obtained without a volume of capital permitting considerable spreading of risk; (b) the reinvestment of borrowed funds at higher return than the cost of these funds to the borrowing investment trust; and (c) the balance of capital gains (generally used to strengthen reserves) which a well-conducted trust should show as the outcome of its managerial alertness.

INTRODUCING THE INVESTMENT TRUST  
TO AMERICAN INVESTORS

Returning once more to a consideration of the investment trust movement in the United States, and giving practical illustration to the preceding generalizations, we may now consider in more detailed fashion the means employed by the International Securities Trust of America, and by its fiscal agent, the American Founders Trust, in introducing to investors in the United States what its managers hope may become universally regarded as a sound investment trust security.

Strictly limiting its activities to the "investment and reinvestment of capital" (as required in Article IV of its Amended Declaration of Trust), the International Securities Trust has, through its fiscal agent, developed investment standards and created investment machinery consistently with the idea that capacity for the proper management of funds entrusted to its care is the essential preliminary to public offering of its securities. The capital of the trust, now

in excess of \$12,000,000, is invested in more than 500 different securities originating in the United States and more than a dozen foreign countries. The holdings, as of March 1, 1926, may be classified as:

|                                   | Per cent. |
|-----------------------------------|-----------|
| Bonds .....                       | 60.68     |
| Preferred and common stocks ..... | 39.32     |
|                                   | 100.00    |

At this time the distribution of holdings with respect to character of issues was as follows:

|   | Per cent. |
|---|-----------|
| Railroad, public utility and industrial             | 47.579    |
| Banking, finance, land bank and miscellaneous ..... | 40.502    |
| Government and municipal .....                      | 11.919    |
|   | 100.000   |

The maintenance of so broad a distribution in the trust's portfolio has required the formulation of basic investment standards, and the creation of an analytical organization by the American Founders Trust, to serve both its own investment needs and those of the International Securities Trust, for which it serves as fiscal agent. As illustrative of the scrutiny to which securities are subjected before purchase, there may be mentioned several of these basic standards to which any investment made by the trust must conform:

- (1) The issues, whether governmental or private, shall have been established for at least four years.
- (2) Accurate data bearing upon history, management, assets, earnings and income of the governmental or corporate issuer must be obtainable.
- (3) The asset values back of all corporate securities purchased shall be at least 200 per cent. of the purchase price with respect to bonds, and 150 per cent. with respect to preferred and common stocks.
- (4) All corporate bonds or stocks purchased must show average earnings for the preceding four years of at least 50

per cent. in excess of interest or dividends paid.

(5) In order to guard against deterioration in the quality of investments held, the trustees are required to sell and dispose of any securities within one year after they shall have ascertained that such securities would not then be eligible for purchase.

The basic investment standards, of which a few are indicated above, are supplemented by requirements for diversification which, as shown in the following, necessitate at any time a thoroughgoing distribution of risk:

- (1) Not more than 1¾ per cent. of the assets of the trust may be invested in any one security other than governmental obligations.
- (2) Not more than 10 per cent. of the assets of the trust may be invested in securities representing any distinct class of business or industry.
- (3) Not more than 35 per cent. of the resources of the trust may be invested in any one country except the United States and England.
- (4) Funds shall be distributed among at least 400 seasoned and marketable securities.

A GUIDING PRINCIPLE OF PURCHASE

A guiding principle applied in purchasing for the portfolio of International Securities Trust is the acquisition of any security at a figure representing a potential profit, that is, for a price considered below the intrinsic worth as revealed by careful statistical analysis. Starting with the more than 200,000 issues, representing a majority of the world's securities, as its possible field of investment, the trust, by the application of simple statistical tests, has eliminated as ineligible some 85 per cent. of all securities considered. The remaining 15 per cent. is subjected to further analysis, classification and grading with a view of constantly casting up those which are inherently most desirable.

At any given time orders (good till



Architects' drawing of the new building for the Peoples National Bank and Trust Company of Lynbrook, L. I.

**C**ONSTRUCTION of this new banking home for the Peoples National Bank and Trust Company of Lynbrook, L. I. is now under way. The exterior is being carried out in North Jay granite.

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cancelled) are outstanding in several international markets. These orders comprehend a variety of eligible securities—far more, in fact, than may perhaps be acquired, as the bid prices are as a rule considerably below the prevailing market. These bids are for definite quantities at given prices, the several offers for purchase being made at various hypothetical figures in such a way that the number of shares or bonds acquired, as the case may be, increases as the price drops.

Of these outstanding orders only comparatively few are filled at any one time, but the law of average operates to insure a considerable volume of daily purchases. Such a system of buying, involving continual analysis of many hundreds of securities, automatically directs attention to depressed markets in any part of the world, for it is in such centers that purchasing is necessarily most active at any time. The securities purchased being leaders in their class, they tend to be in the vanguard of any recovery movement and among the first to register book appreciation. When it appears that such appreciation, measured by current market quotations, has reached a point where the trust can not longer afford to hold certain securities, they are sold and the proceeds reinvested in issues of higher current yield. In other words, when the money which investments will yield upon liquidation may be employed to acquire other eligible securities which, with a view to all the circumstances, afford higher return, a realignment generally occurs in the trust's investments.

#### PROVIDING PROPER STATISTICAL CHECK-UP

For the purpose of providing proper statistical check-up, and accurate continuous investment analysis, the American Founders Trust, not only as fiscal agent for the International Securities Trust of America, but also as itself the owner of a considerable portfolio of securities, maintains a technical staff functioning under two principal groups of divisions

—the analytical, and the control. The former embraces the various regional divisions (American, South American, Western European, and so on), as well as the Graphic Record Division. The control divisions comprise the economics division, the operating division, and the valuation division.

The latter, operating quite independently of the research and purchasing organizations, provides a monthly appraisal, on an American dollar basis, of the current liquidation value of every investment held by either trust. The analytical staff, including experts of German, Japanese, Belgian, French, Czech, Scandinavian, and American nationality, operates under the direct supervision of the investment committee of the American Founders Trust, while the trustees of the International Securities Trust, through their own investment committee, determine what shall enter the latter's portfolio.

It is in these ways that the management of one of America's pioneer investment trusts is endeavoring to make judicious use of the capital subscribed by the rank and file of the investing public. This capital is raised, as is generally the practice among British investment trusts, by the marketing of its own bonds and share "units." Borrowing power of the trust is limited by the provision that the bonds may be authenticated and issued only when, at time of issuance, total assets, taken at net cost price, after deducting all indebtedness except bonds outstanding and the special bond interest reserve fund, are equal to at least 180 per cent. of the par value of the bonds outstanding and those to be issued. Share units offered by the International Securities Trust consist of one share of preferred, issued under provisions requiring maintenance of a considerable equity in net assets, and a half share of common having no par value.

Of the \$10,342,000 of resources, in round numbers, showed by the trust on March 1, 1926, \$5,000,000 represented

liabilities to bondholders, \$3,425,000 to preferred shareholders, and approximately \$1,530,000 the sum paid in on common shares. The dividend paying power of the common shares has, of course, been substantially increased by the use of this considerable volume of prior-lien and non-participating capital.

If space permitted in this article, much of great interest could be written concerning other American investment trusts, most of which have been organized since 1924. Among the twenty or so institutions in the United States which may perhaps properly lay claim to this title, some five were created in 1924, eight or ten in 1925, and two or three during the early months of this year. It is interesting to note that this current organizing activity in the United States is accompanied by a marked recrudescence of such activity in Great Britain. Not since the great earlier period of British investment trust organization—1887 to 1890—have there been as many trusts launched in London as during the last two years.

#### VARIATION IN TYPE OF AMERICAN INVESTMENT TRUSTS

These American investment trusts, most of which, of course, have not as yet had time fully to demonstrate their stability or their earning power, represent a variety of types and operating methods departing in many instances very far from the practices of British and Continental trusts. This is nether to condemn nor to commend them. It is merely to direct attention to a virile movement in American finance which, while it is hoped that the results of foreign experience will be neither forgotten nor neglected, is likely to make contributions of value in the development of investment trust technique.

One characteristic distinguishing a number of recently organized investment trusts in the United States from such institutions as the International Securities Trust of America and the American



Founders Trust, is the confining of their investments to common shares in American enterprises on the assumption that substantial capital appreciation will result from holding diversified equities over a period of time. As over against this policy, the latter trusts, like their British models, employ their capital both in the United States and stable foreign countries in accordance with relative investment opportunities; purchase bonds as well as common and preferred shares on such terms as to make a capital profit—if possible, in the act of acquisition, regardless of the time when it may be realized in the process of liquidation and reinvestment; and endeavor, at all times,

by buying in depressed markets and selling in buoyant ones, to keep their capital profitably employed.

Such international employment of capital, however, requires a considerable investment organization, and should not be lightly undertaken. While in all probability American investment trusts will be most unwise to close their eyes to the demands of foreign markets, and to the legitimate overseas investment opportunities which our world creditor position is increasingly opening to us, there is also reason to believe that such agencies will be of great usefulness in affording future leadership and direction to domestic capital market.

## HOW FAR WILL THE BANK MERGER MOVEMENT GO?

[Continued from page 818]

ever the invasion of the Paris banks into the provinces in recent years has encountered strong opposition, for the interior banks have banded themselves together into an organization known as the "Societe Centrale de Banques de Provinces" (Central Association of Provincial Banks). In many cities the local bankers have refused to surrender their business which has often been in the hands of the same family for several generations. In such cases the Paris banks have established their own branches, and then follows a desperate conflict which usually ends in the elimination of private banks. Although the great bank is thus ultimately victorious, the resistance has checked the progress of the amalgamation movement, and so it is by no means as extensive as in England.

### THE MERGER MOVEMENT IN BELGIUM

Turning next to France's neighbor, Belgium, we find the amalgamation movement has also developed but in a somewhat different form. Instead of complete absorption the leading banks of Brussels have rather formed affiliations

with banks of the interior. Thus a community of interest has been created through interlocking directorates or through the control of stock in the smaller banks. This method has served to retain the advantage of local management of the interior banks which are conducted by the same staff rather than by managers who are shifted from one place to another. Unity of policy is maintained by having frequent meetings in Brussels where the heads of the interior banks can conveniently assemble. In many respects the system of banking alliances as developed in Belgium has decided points of advantage over the highly integrated forms to be found in other countries.

### CONSOLIDATION IN HOLLAND

Holland also has experienced financial amalgamation but again this movement presents distinctive features. The movement was initiated by the "Rotterdamsche Bankvereeniging" (Rotterdam Banking Association) which extended its operations not only to the provinces of The Netherlands but also to the distant col-



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onies of Holland. As a means of self-preservation, the other large banks of Amsterdam felt the necessity of embarking upon a similar policy of expansion, and by the close of the war the Amsterdam, the Twentsche and the Incasso Banks had expanded their organizations. It would seem that these institutions have not attained the same degree of co-operation to be found among the great German banks which as noted above worked closely together through the dark days of the war and post-war periods. Also the Dutch banks have met with bitter opposition from the small private bankers who, seeing their business, particularly stock market transactions, slipping away to their larger competitors, spared no weapons in their counter attacks. The excessive competition resulting from the lack of unity among the big banks and the keen resistance of the smaller private houses caused difficulties which have checked the amalgamation movement in Holland.

While serious consequences were avoided in Holland, the lack of co-operation was in part responsible for the unfortunate outcome of the amalgamation movement in Denmark. In that country financial consolidation advanced to the point where the credit power was largely controlled by five banks all located in Copenhagen. The largest, the Landmandsbank, through the absorption of numerous banks in the provinces, at one time conducted about a fourth of the banking operations of the kingdom. Therefore, its collapse in 1922 was almost a national calamity and the government itself was forced to take over the bank. A similar policy had to be adopted in the case of another big bank, the Copenhagen Discount and Revisionsbank.

#### TENDENCIES TO BE OBSERVED

From this review of banking amalgamation in England and on the Continent certain tendencies may be observed. The movement has been made possible due to the essential economic unity of these

countries and the geographic nature which facilitates communication and makes close control possible. Also, the growth of big business units has furthered the progress of a similar tendency in banking. Such financial expansion has been accomplished by the absorption of smaller banks or by crushing them through a policy of intense competition. In some countries the larger banks have preferred to avoid such conflicts by forming friendly alliances with the interior banks. The ultimate success or failure of the amalgamation movement has depended upon the extent of co-operation among the larger banks themselves. In those countries where the major institutions have worked together, they have been able to weather violent financial storms, but on the other hand lack of unity has at times been accompanied by bank failures so serious that the government itself has been forced to assume control of major banks which have failed.

#### BANK CONCENTRATION IN THE UNITED STATES

To understand the movement for banking expansion in the United States, it is necessary first to distinguish among the various forms which the movement has taken. Banking alliances, or "chain banks" as they are known in this country, exist only in certain parts of the South and West. Under this system an individual or a holding company owns stock in a number of banks which are thus directed by a central policy but still retain their separate legal identity. This movement has not made any extensive headway and for the purpose of this analysis need not be considered. Banking expansion has taken another form, namely unit banking under which the large metropolitan institutions have established offices, or really service stations, for the use of customers within the bounds of the city. Finally there is the branch which is really a separate institution, often having its own capital, and conducting all the operations of banking at a point distant from the parent institution.

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#### UNIT BANKING

Unit banking, that is, the operation of local offices, is essentially intra-city from the standpoint of its geographic nature, while branch banking is intra-state and may even become interstate, that is, nation wide in scope. So far the movement in the United States has scarcely developed beyond the stage of intra-city unit banking. In New York, Chicago, Cleveland and Philadelphia the larger banks have organized offices throughout their localities. It is only in California that intra-state banking has been pushed to any extent.

Judged from European experience how far may we expect to see the movement develop in the future? In our review of the movement in Europe it was there noted that amalgamation in finance usually followed a tendency toward combination in industry. During the last few years, particularly 1925, the United States has experienced a decided trend toward mergers in industry. It would, therefore, follow that these large indus-

trial combinations, in requiring larger units of capital, will necessarily bring about a movement toward bigger banks, which will bring together important institutions within the same state, and eventually banks beyond state borders. Certain events which have already occurred in the field of banking this year; namely the merger of the Chase National Bank of New York with the Mechanics and Metals National Bank, and the consolidation of the Girard National with the Philadelphia National Bank of Philadelphia seem to indicate that we are entering upon the stage of the combination of large banks into super-units. The history of the European countries shows that competition eventually forces other banks into a similar policy, and in the end a concentrated financial system results.

#### WHAT FORM WILL CONCENTRATION TAKE IN AMERICA IN THE FUTURE?

In this event will the movement make the same headway as in the Continental countries and in England where less than

a half dozen banks control the credit power of the nation? As indicated above such extreme concentration can only be attained in a country where there is essential economic unity and geographic compactness. These conditions do not exist in the United States with its diversified industries, such as cotton raising in the South, wheat growing in the West and manufacturing in the East. Moreover the vast area of the United States stretching from coast to coast and from the Mexican border to the Canadian

boundary, renders close control, as in the case of England, geographically impossible. Hence bank amalgamation in this country will take the form of the union of large banks in the more important cities of the country rather than an intensive development of branches in the smaller cities and towns of the country. In judging the value of such a movement, and in perfecting the methods of administering such systems, the experiences of European and British banks are worthy of close study.

## THE NATIONAL FOREIGN TRADE CONVENTION

[Continued from page 820]

tions, financial, economic, and political.

W. E. Butterbaugh, of La Salle Extension University, Chicago, Ill., said that foreign trade education is necessary for the general public, for business men, for foreign traders, for future business men, and for future foreign traders. He suggested a complete campaign of propaganda including the organization of clubs, publication of articles, speeches by foreign trade experts, etc. But to what end is all this effort?

The closing speech of the convention, delivered by C. C. Martin, credit manager National Paper and Type Company, was very flattering to our foreign trade, and of a cautionary nature. Mr. Martin sees foreign manufacturers and exporters very much worried by American competition in foreign trade. He fears that America may in effect, corner the foreign trade of the world. Thus his peroration: "Our competitors abroad are faced today with a fact of tremendous significance. They see, massed in the United States, wealth and productive power greater than the world has ever known, greater than could be assembled by our united trade rivals. They see our Government officials and representatives of business organizations, examining minutely the commercial fields of the world, and they note an avalanche of printed material in all languages, seeking

the buyer in the remotest hamlet and telling him the story of American goods. . . . And as they (these facts) are considered, the foreign merchant or manufacturer has a not unjustified feeling of apprehension." In other words we are in danger, according to Mr. Martin, of taking trade away from our competitors and not of taking away only a part of it, but all of it. He closes with the solemn warning: "A monopoly of world trade for us would be an unmixed disaster."

### DECLARATION PASSED BY CONVENTION

Before the convention closed, the following final declaration was passed:

"The foreign trade of the United States for the calendar year 1925 measured by value and volume was the largest of any normal year. It exceeded in value that of 1924 by more than \$900,000,000 and in volume by more than 1,500,000 tons. The increase of exports was 6.9 per cent. and the increase of imports was 17.1 per cent. This change has been accentuated in the first three months of this year. We should, however, recognize that imports of materials not readily produced here, are necessary, and tend to increase foreign buying, and assist our exports in finding ready markets.

"World trade has nearly recovered



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John Poole, President

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the volume it reached in 1913, and this year it should attain pre-war basis. The loss of normal growth of international trade during twelve years is one measure of the cost of the war.

"This convention welcomes the participation in its sessions by the British Dominions, and especially by our northern neighbor, who for more than a century of unbroken friendship has been one of our great suppliers as well as one of our best customers. The vast and growing trade between Canada and the United States is a striking proof of the value of such friendly relationship and an unanswerable argument for the spirit of co-operation in developing trade.

"The countries which are our leading competitors in world trade, Great Britain, Canada, France, Belgium, Germany and Japan, are the largest purchasers of our products, manufactured as well as crude. This shows that increasing activity of other nations in general trade result in increased purchases from us.

"American foreign trade is in a firmer position than ever before, for our trade practice has been so improved that our competitors recognize it as standard in world commerce. We have reached the stage of expanded interest and participation which tends to diminish the risk of the whole because of wider distribution. The number of foreign traders grows as the volume of trade increases.

"This situation calls for continued vigilance and activity. There are many ways in which further improvement may be made. Certain matters relating to trade procedure are wholly within the control of the traders themselves. Others call for Congressional action. The American people are convinced that the maintenance of a merchant marine privately owned and operated, is essential to both our commerce and national defense. The chief agency for the accomplishment of this purpose is the support of American ships by American importers and exporters.

"Despite the continued world wide depression in the shipping business, more ships are now operating under the American flag and a larger proportion of our cargo is carried in American bottoms than at any time in the last sixty years. The surplus tonnage of all nations is gradually decreasing, through natural causes, and the volume of world commerce is steadily increasing so that the shipping industry is slowly approaching a point where the supply of tonnage will more nearly approximate cargo opportunities.

"The enactment by Congress of the tax revision bill, approved on February 25, has given encouragement to international as well as domestic enterprise. Especially to be commended is the relief of American residents abroad from tax upon incomes earned in the country of residence.

"The great expansion of the re-export element of world trade during the last year demonstrates more strongly than ever the need for foreign trade zones in our ports, as our shipping and our foreign traders suffer severely from this handicap. Our share in the totals of international trade of the world last year was 18 per cent. but our share of the world's re-export trade was less than 3 per cent.

"A measure of much importance to our foreign trade, which is now pending in the House of Representatives, is the bill to repeal the provisions of existing law which block the negotiation of a permanent parcels post convention with Cuba. This measure should be promptly enacted so that American manufacturers generally could be assured of permanent access to this Cuban market on a footing of equality with Europe.

"In view of the experience of the last year and in view of the change in the trade figures, we feel constrained to reiterate the statement made by the Twelfth National Foreign Trade Convention which met at Seattle, Wash., in June, 1925.



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“In the flotation in this market of foreign loans, our bankers have opportunity to be of substantial service to American foreign trade. The present situation calls for the exercise of constant care and prudence, lest American capital be devoted to uses detrimental rather than helpful to American enterprise. It is of the utmost importance that our bankers, when negotiating foreign loans, should always have regard to the furtherance of American trade and they should, as far as practicable, provide for the expenditures of the proceeds in this country.”

“The progress made in the adjustment of inter-allied debts during the last year will ultimately prove of great benefit in the stabilization of foreign trade.

“The importance of our national consumption of imports of raw materials emphasizes the necessity of developing increased production of such supplies wherever possible in order to insure reasonable prices.

“Realizing that the free flow of commerce, domestic and foreign, is essential in maintaining satisfactory relations between the seller and the buyer, we commend the interest of the Department of Commerce in opposing governmental controls of raw materials.

“We urge the prompt enactment of the bill now pending in Congress, the purpose of which is to place the trade promotion service of the Department of Commerce upon the basis of permanent career and the maintenance of its personnel within the civil service as at present.”

The June, 1927, convention is to be held in Detroit, Mich. It will aid in developing still further the cordial relations with Canada which were so important a feature of this convention, and will probably be attended by the most substantial Canadian business delegation that has ever attended a convention in the United States.

## HOW THE BANKS ARE SERVING AMERICAN FOREIGN TRADE

[Continued from page 822]

### FLUCTUATIONS OF THE EXCHANGES

A company buying abroad necessarily must take into consideration the daily fluctuations of foreign exchanges, in order to take advantage of them through sale or purchase. Foreign departments can aid them greatly in this connection, and furthermore, a method has now been offered whereby the importer of merchandise purchases future exchange from the bank's foreign department, and thereby prevents possible loss through fluctuations of exchanges, eliminating the risks of a gamble.

This may require an explanation. Suppose the importer purchases jute from India at a C. I. F. price New York, payable by a ninety day sight draft on a London bank, shipment first half June. It will take approximately thirty days for the draft to travel from India to London for acceptance, and ninety-three more days elapse before the draft matures. That means that sterling will have to be provided for in October; but sterling may go to a premium over par by that date, so the wise importer buys future sterling, for delivery in October, at perhaps one-half or one cent under par. He is then in the position of knowing what this jute will actually cost him, and he has eliminated all gamble. The significant thing about this method of buying future exchanges, is that this is still another way in which a bank's foreign department takes the "foreign" element out of foreign trade, and enables the importer to do business with the business man abroad in much the same way as he would do business with a man right here at home.

It is just this fact that not enough business men realize. Many of them still believe that they have to be able to

talk a foreign language before they can do business with Europe. There is nothing very complicated about doing business abroad, either on the export or import side; a bank's foreign department will handle the red tape and attend to troublesome and bothersome details; a man can do business with Calcutta much as he would with Duluth.

This realization must become more widespread if we are to maintain our present foreign trade position. Of late, the United States has been slowly slipping in foreign trade. Following the particularly advantageous position into which she was thrust by the Great War, this country had the opportunity to maintain a strong grasp upon all the markets of the world. Since the war, however, Europe has been recovering steadily, and in many cases European competition has forced the United States from first place in foreign trade, to second. Trade with the Argentine presents an illustration. Immediately following the war, the United States held first place. Now she is second, with Great Britain first.

America's failure to lead the world in international trade is not due in the least to any lack of aggressiveness on the part of the American business man, but many business men, particularly those in the interior of the country, are inclined to shrink from foreign trade largely through an actual ignorance of the subject. It is up to the bankers of the United States to let them know that it is not a difficult or intricate task to do business with business men on the other side of the water. Bankers are doing their best, first, to establish an adequate foreign banking service, and secondly, to advertise that service.

## COMMERCIAL POSSIBILITIES OF THE SOUTH ATLANTIC

[Continued from page 826]

that war, there is no regret now over the result of it. No portion of the United States today is prouder of the nation born of that struggle, of its achievements and its splendid ideals, and none is more ready and eager to contribute of its blood and treasure for the protection of its integrity and for the maintenance and perpetuation of its ideals than is this very section of it.

It is very difficult for those who were not in the South during the Civil War and for ten years thereafter to realize the full extent of the disaster which overwhelmed her people. Not only were fields laid waste and thousands upon thousands of buildings destroyed, while the savings of a century invested in slaves were wiped out of existence with the stroke of a pen, but the political franchise suddenly thrust upon these ignorant negroes without any preparation for it—without any understanding of its responsibilities—soon placed the government of the South in the hands of negro demagogues and of unscrupulous white carpet baggers who invaded her territory solely for the purpose of plunder. During those ten years the South was very naturally shunned by all save despoilers. Capital studiously avoided her except for exploitation. Hundreds of thousands of her young men were driven into other parts of the country. But those who were left doggedly took up the task of extricating her from the hands of those who were literally strangling her; of giving intelligent direction to the ignorant mass of negroes totally unaccustomed to self-control; of rebuilding her industries and recultivating her fields; of educating her people, white and black; and out of her own shattered resources restoring her former prosperity.

### PROGRESS OF THE SOUTH SINCE 1876

The progress of the South since 1876, when the reconstruction era ended, has

been almost incredible to those unfamiliar with the marvelous resources of the country and unacquainted with the indomitable spirit of her people who would not be denied their place in the nation. Writers from all parts of the United States have told and retold that story in the daily press and magazines and it need not be repeated here.

But, in this wonderful progress Charleston and the other South Atlantic ports, until recently, have not shared to the extent which was naturally to be expected of them. The reason for this lies largely in the failure to realize Hayne's vision in 1832 and the consequences which naturally ensued.

When the short railways of this section began to be grouped into systems, these systems were all found to run north and south along the coast—the Southern, the Atlantic Coast Line and the Seaboard Air Line—while their control and management was dictated from the North. The east and west systems were all located above North Carolina. The rates to Atlantic ports north of Hatteras from all the country west of the Blue Ridge and Alleghany Mountains were practically the same and to these rates the coastal systems above referred to added their local rates into all the territory bordering the South Atlantic.

This rate structure completely shut out the ports on the South Atlantic from any participation in foreign commerce to and from the territory beyond their immediate environment and confined that commerce to the cotton, lumber and naval stores at their doors for exports, and to fertilizer materials to be used in their factories for import. Let me illustrate:

Cincinnati is 706 miles by rail from Charleston; 757 miles by rail from New York; 1299 miles by rail from St. John, N. B.; and 1573 miles by rail from Halifax, N. S.

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WADE FLEETWOOD, Auditor

Before the World War the sixth class rate from Cincinnati to these various ports was as follows:

To Charleston, 46 cents per 100 pounds; to New York, 21½ cents per 100 pounds; to St. John, N. B., 21½ cents per 100 pounds; and to Halifax, N. S., 22½ cents per 100 pounds.

Here we find a rate of 46 cents per 100 pounds for a distance of 706 miles to one Atlantic port against a rate of 22½ cents per 100 pounds for a distance of 1573 miles to another Atlantic port.

Now, the rail rates from the interior of the country to all the Pacific ports were and are practically the same, no matter what the distance; and in like manner the rail rates from the Middle West were and are practically alike to all the ports north of Hatteras even as far as Halifax—as we have seen in the above illustration—irrespective of distance, but the coast south of Hatteras and the ports located there were absolutely proscribed. For years these South

Atlantic ports fought this outrageous discrimination without avail, until the World War brought it to the attention of the United States Government, when its War Department began shipping products from the Middle West to the port terminals at Charleston and would not countenance paying over twice the freight rate from Cincinnati to Charleston, a distance of 706 miles, as it was paying from Cincinnati to New York, a distance of 757 miles. And so it was that this coast for the first time was placed on a parity with the North Atlantic.

## POST-WAR ADJUSTMENT OF RAIL RATES

Subsequent to the war, when the railroads were turned back to their owners, an effort was made to restore the old injustice. All of the South Atlantic ports promptly joined in an effort to defeat that move. Each port contributed twenty-five of its leading citizens to a pilgrimage to the Middle West where the consequences to them in times

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***President***

of congestion at the northern ports, and the general injustice to this coast, were explained in city after city—a splendid co-operative effort that bore fruit. The Interstate Commerce Commission refused the request and has continued to recognize the rights of the Southeast Atlantic to an equal chance for its upbuilding. Today we are enjoying the same rates to all these territories as our neighboring ports to the north and already the effect is marked upon this whole coastal section.

Several years ago a conference of the steamship owners and operators along the Atlantic and Gulf coasts of America was held for the purpose of agreeing upon ocean rates to Europe. Under the domination of the North Atlantic steamship companies, acquiesced in by the Shipping Board, a differential of 7½ cents per 100 pounds was placed against this coast, and 15 cents per 100 pounds against the Gulf coast. This, of course, made shipments from the interior via the South Atlantic and Gulf ports to Europe

impracticable. In reply to vigorous protests, the difference in distance was cited as the justification, but it soon became apparent that this plea was untenable because the difference between the distance from Boston to Liverpool and the distance from Baltimore to Liverpool (430 miles), both enjoying the same rates, was very much greater than the difference between the distance from Baltimore to Liverpool and the distance from Charleston to Liverpool (135 miles), where 7½ cents was added to the ocean rate.

Moreover, all the North Atlantic ports were given equal rates to all portions of Europe, including the Mediterranean, and New York had the same rate to Havana as Savannah, although the distance in the latter case was less than one-half the distance in the former case. Now that injustice has also been rectified and the South Atlantic ports for the first time in half a century have a real opportunity of taking their proper place

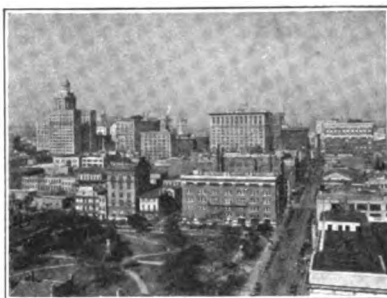
in the foreign commerce of the country. The increase in commerce through these ports in the last two years clearly forecasts the results which must follow in larger and larger measure; e. g., Charleston's foreign trade jumped from \$19,500,000 in 1922 to \$43,500,000 in 1925, and it is the same story with Savannah, Jacksonville, Wilmington and Brunswick. In fact the increase is even greater in some of them.

#### DEEPENING THE HARBORS

In recent years the harbors along this coast have been deepened to meet the deepening drafts of vessels and one will find that Charleston is now in a position to admit the largest and deepest draft freight vessels constructed and all but the largest of passenger liners; and the other ports to the north and south of her are practically similarly situated.

In the matter of terminals, each port along this coast has made extraordinary efforts to furnish itself with the very best of facilities. A few years ago Charleston bought from the railways a large portion of her own waterfront and erected city terminals there with all modern appliances for handling materials economically and rapidly. Moreover, the Government during the World War erected port terminals on the Cooper River with a storage capacity of 1,500,000 square feet and a frontage of half a mile. The terminal warehouses are divided into compartments with fire-proof walls and equipped with sprinklers throughout, giving the lowest of insurance rates. The railroads all turn into the port terminals before they reach the congested city district. The connection between the cars and the ships is made without delay while the delivery from the one to the other is handled at an unusually small cost.

A Southern banker told the writer several weeks ago that he had heard one of the leading business men of New York in an address before one of her commercial bodies predict that the competition



### New Orleans

#### XXII

##### The Central Business District

This modern skyline of the central business district of New Orleans has been built during very recent years, and is constantly undergoing change.

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which that port was going to feel most in the next two decades would come from the South Atlantic. One can now understand the reason why. And this opening up of new avenues of foreign trade through this coast is going to constitute an important factor in placing many of our industries in a better position to meet foreign competition in foreign fields as well as relieving congestion in northern ports at certain periods.

There are many ports of the world where branches of factories on this coast would be enabled to deliver merchandise much cheaper than they can at present. In fact the opportunities in the field of industry in this section have become as inviting as those in foreign trade. The country in the vicinity of these ports, stretching back to the mountains, presents a most attractive field for the establishment of innumerable industries. The climate is mild and salubrious, the

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mortality rate being among the lowest in the whole United States. The cost of living is cheap in comparison with the more congested sections of the country. The opportunity for outdoor recreation is open all the year round, while improved roads now everywhere to be found in this territory add much to that opportunity. They also give to industry the facilities which in this day it must have to live and prosper.

#### THE TEXTILE MILL INDUSTRY

Already the textile mill industry is centering in the Carolinas and north Georgia, and not altogether because of the proximity of the cotton fields, for many of these mills bring in their cotton from fields hundreds of miles away, but because of the cheap water power, of the salubrious climate—winter and summer—and of the greater comforts and pleasures which may be secured by employes at small cost. Living being cheaper, healthier and more accessible to recreation, labor is content with less compensation because that compensation procures so much more for it.

Already over 50 per cent. of the electrical energy produced in the South is derived from water driven generators and some of the largest waterpowers have yet to be developed and put into operation; such as the great waterpower at Muscle Shoals, now awaiting a lessee.

Several years ago an investigation was instituted into the practicability of securing a large waterpower at the very doors of Charleston. The Foundation

Company of New York has recently reported a project for the development of a waterpower from the Santee River, second only to Muscle Shoals, and at a cost far below the average cost of the waterpowers of the country and the Government has just approved the plans necessary for its installation; i. e., impounding the waters of that river into a lake covering some 50,000 acres of land—principally swamps.

Who would have dreamed a few years ago that the waters of the Santee could be impounded with a seventy-five foot fall and create a great waterpower twenty miles from the port terminals on Cooper River? And yet that development is, it is understood about to take place.

The writer is speaking almost exclusively of Charleston and South Carolina because he is more familiar with that city and state. But the other cities on the South Atlantic have a similar story to tell both with respect to their ports and their magnificent back country. Each in its own way has been recently preparing for the tide of commerce and industry which is now rising and daily gathering strength and each is confidently facing the future.

Already regular steamer services have been established from these ports to Europe, the West Indies, South America, the Pacific Coast and the Far East. It is only by regular sailings upon which exporters and importers can depend that commerce can grow to any proportions and these are now being established to

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Executive Manager

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Executive Manager

an ever widening foreign field. It is always an uphill task to change the trend of traffic. No shipper wants to make a move from a service he has found reliable, even at the saving of some expense, to one upon the permanency of which any doubts are cast and so it will take time and much advertising to establish complete confidence in these services, most of which are only of recent origin; but the progress already made has been phenomenal and the final outcome cannot be doubted.

It is most opportune that the Foreign Trade Convention attended by leaders of industry from all sections of these United States, seeking closer and more economic connection with foreign markets, should have held its 1926 meeting in Charleston so that its members might see for themselves the wonderful opportunities which are opened up to them in this the last frontier in America; for by the Civil War, the era of negro domination and the rate discrimination above described, this coast, which a century and a half ago, constituted one of the most inviting and progressive of the earliest frontiers in America, has for half a century been almost obliterated from the view of leaders of industry as a land of opportunity. With the breaking down of these barriers it is again thrown open to American enterprise and never was

there a more inviting field to that enterprise in its westward march of progress to the Pacific, than is now opened up in this returning march to the South Atlantic.

For many years the climate and attractions of Florida were advertised with meagre results. In spite of the magnificent hotels erected there to attract the winter tourists and the splendid trains put in the service, the progress was slow in comparison with lower California. At last the attention of the country was caught and for three years the trek to Florida has surpassed that which followed the gold discoveries in California.

The boom in that state is said to be passing, but, however that may be, the most remarkable development in the history of the country has taken place there and the eyes of America have not only been opened to the glories of that state, but to those of all this coastal section and to the marvelous opportunities that lie here for both industry and commerce. The march of progress for half a century after the Civil War was everywhere heralded to be westward. It has now definitely turned back to the Southeast—"the last of the American frontiers"—and today the land of highest promise in all its vast and rich territory.



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## CANADA'S RELATION TO THE UNITED STATES

[Continued from page 827]

ly near when there would be an exportable surplus only in years of exceptionally favorable harvest. The war arrested this trend and high prices for foodstuffs resulted in an extension of United States production. Subsequent to the war, it might have been expected, in the ordinary course of events, that the pre-war situation would gradually return; and perhaps it has to a certain extent. The very existence of the Fordney Tariff bears witness to the fact that the days of the United States as a great food exporting country are thought to be over, since the tariff must be based on the expectation that imports of foodstuffs are possible and must be kept out. Even taking the figures of the year so close to the end of the war as 1920, one finds that the rural population of the United States was but 40 per cent. of the total, compared with 51 per cent. in 1900. The land harvested in 1920 was 348,000,000

acres, an increase of 23 per cent. over 1900, compared with a population increase of 38 per cent. in that period. Since then the writer believes that the acreage under cultivation has decreased somewhat. Now if, in the future, American production of foodstuffs could be expected to increase less rapidly than population, this would be a factor of the very greatest importance for Canada. It is not sure however, that the situation may be expected to work out in this way. The high rates of the Fordney Tariff would seem bound to stimulate the domestic production of various lines of food stuffs, and thus postpone for some considerable time the day when the United States will import them in any quantity. Canada must acknowledge regret that this is so, because under other circumstances her proximity to a growing country of 120,000,000 people would have given Canada an increasing-

ly large market for her foodstuffs (a market that even a moderate tariff would not have kept her out of), would have enabled her to progress by leaps and bounds and to buy larger quantities of United States goods and to offer better opportunities for United States investors. Canada would have turned out more of the commodities that she produces so cheaply and so well, and would have bought more of the articles that the United States specializes in.

#### DEVELOPING OUTSIDE MARKETS

It would be impossible to avoid a mention of the tariff question in any discussion on business relations between Canada and the United States, because it has been an extremely important factor in those relations. References which the writer has made to this question have been in no way critical, nor do they constitute an appeal for special consideration for Canada. So far as Canada's prospects are concerned, the writer has shown the bad as well as the good side of the picture and on the bad side, a restriction in markets must be placed. The bad side is, after all, not nearly as important as the good. Canada is developing markets elsewhere. Canadian cattle and grain and dairy products are going to Europe in increasing quantities. Canada sells more to South America, more to the West Indies and much more to the Orient. The development of Canadian export trade to the Orient has been remarkable. The writer firmly believes that the utilization of Canada's natural resources to supply the requirements of the world outside of America will enable Canada to prosper and to grow at a very satisfactory rate. An effort has been made to avoid casual optimism and too frequent references to Canada's natural resources. Canada has gotten into trouble before now through too glowing a picture being painted in Europe—a picture which immigrants did not find fulfilled when they came expecting quick successes. Undoubtedly Canada has these natural resources, but what a country sometimes

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overlooks is the fact that natural resources are no good, except possibly as ornaments, unless their commercial development is profitable. That such development has been and is being found profitable in Canada, is shown by the results achieved to date. As for the future, perhaps it will be best to let the statistics of the next ten years tell Canada's story. In many ways the development has been most satisfactory during the last year, and increasing immigration and more prosperous business conditions have inspired a feeling of confidence at the present time. I think that the United States, as a participator in Canada's trade in commodities, and as a generous and

intelligent investor of capital in our country, will have no cause, the writer believes, to criticise her partner for not equalling past performances. More and more of recent years Canada has had occasion to congratulate herself on the number of visitors she was attracting from south of the line, and it is to be sincerely hoped that greater numbers will come in the future to see how Canada is getting along. They could not find a warmer welcome in any country in the world, and their visits cannot fail to cement the long standing relationship that has been so pleasant and profitable for Canada and, it may be hoped, for the United States as well.

## IS CREDIT NEEDED IN EXPORT TRADE ?

[Continued from page 832]

cline of prices in 1920 were really not credit losses but actually the result of merchandise price adjustments. Naturally it would be foolish to assert that in doing business abroad some losses do not occur. They are inevitable. On the other hand, the ratio of losses to volume of business done is unquestionably lower than in the United States. Especially is this true when the necessary precautions are taken in granting credits. In this connection the importance of taking into account the character of the buyer and his merchandising methods should not be lost sight of. This precaution is indispensable if unjust claims, chicanes, etc., are to be avoided. Losses as a result of nefarious trade practices cannot properly be classes as credit losses.

### GUARANTEES

A good deal might be said on the subject of the guarantee of payment. The most widely known form of guarantee is that of the *del credere*, that is, the guarantee of the commission sales agent that in the event of non-payment he will be responsible. Guarantees are also occasionally given by banks and sometimes by private individuals. In certain south-

ern and central European countries, such as Bulgaria and Roumania, the seller can go to a local bank and state his desire to do business with a local merchant and request the bank to guarantee the account. If the name is satisfactory to the bank it will issue its guarantee to the seller without the knowledge of the buyer of the goods. There is also a practice in Italy where, under satisfactory conditions, the buyer can arrange with his local bank to endorse his accepted drafts "*per avallo*." The use of these words, over the signature of the bank, makes it the direct obligation of the bank. In the event of failure on the part of the acceptor to pay, the bank must pay immediately. Of course, in the case of any guarantor (as stated elsewhere in this paper), the same searching investigation should be made as when the credit responsibility of a foreign merchant is under consideration.

### IMPORTANCE OF THE LOCAL REPRESENTATIVE

From what has been said thus far it is evident that the local agent or representative of the American manufacturer plays a very important part in the mat-

ter of credit granting. Undoubtedly the success of many American manufacturers in extending credit abroad has been due very largely to their careful selection of their local representatives. European manufacturers have long realized that the local agent is really the key to the credit situation. It is for that reason that he is often entrusted with the handling of documents covering shipments and is charged with obtaining the acceptance of his customers to the drafts that are drawn by his principals. It is the local commission agent who is best informed regarding the standing, method of payment, and progress of his customers. He, better than anyone else, knows whether they are meeting their bills on time, are overstocked, are doing business in the proper manner, etc. Not infrequently, by taking action at the right moment, he can aid his principals to avoid substantial losses. When reliance is placed solely on the traveling representative of American manufacturers, it is important that he be properly schooled in the principles of credit granting, particularly from the standpoint of the selection of his customers. It is also essential that he be told just what is required in the way of credit information. This is necessary because the man on the ground is in a much better position to obtain the data which is needed to determine credits than is anyone else. It is he who can supplement the investigations made among the suppliers. He can furnish a complete picture of the customer, his methods, the impression he created, etc., etc. This kind of information cannot be obtained anywhere except on the ground.

#### INCREASE IN BANKING FACILITIES

The banking facilities open to American manufacturers have grown amazingly in the last decade. There is no longer any excuse for alleging that banks will not aid legitimate exporters. As a matter of fact the exporter of standing will find no difficulty in discounting his drafts on foreign merchants. Naturally, banks rarely discount without recourse, and

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| Surplus .....   | 650,000.00      |
| Resources ..... | 25,000,000.00   |

more than this could hardly be expected. There are a number of banks organized exclusively for foreign trade. In addition, some of our greatest banks which do a large domestic business are magnificently equipped for financing export transactions. It is safe to say that no legitimate operation possible to American exporters, even involving credit for a rather longer period of time than is ordinarily granted, need go unfinanced. Innumerable transactions take place daily under which the American shipper of standing receives the full value of his draft immediately upon presentation of the documents to his bank for discount. Other deals are financed on the basis of acceptance credits. Within the limits of this paper this method of financing cannot be gone into in detail. However, it will suffice to say that American manufacturers or shippers are at no disadvantage as regards credits on an acceptance basis, with their competitors in England, Germany, or elsewhere. The rates charged are not excessive and unquestionably facilitate the sale of goods on credit to foreign countries.

#### HOW EXPORT COMMISSION HOUSES ASSIST IN SOLVING CREDIT PROBLEMS

There are of course many American manufacturers and merchants the limited amount of whose capital would not permit direct relations with foreign countries. Their selling problem, as well as the matter of extending credits, is solved



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by the export commission house in New York. When carefully selected the latter can render a valuable service. Within the last five years there has been a marked change in the attitude of the more enterprising export commission houses toward the representation of American business firms. A sales service is being rendered that is especially valuable to the smaller manufacturer or merchant. The reliable export commission house is in a position to pay outright the invoices of the merchant or manufacturer whom it represents. When the export house asks for a credit of sixty or ninety days it must naturally justify the request. The risk then is really a domestic one and can be treated largely from that standpoint. It should be emphasized, however, that even the smaller exporters, if competent and of good standing, can make excellent arrangements for financing their drafts.

#### CREDIT IN RELATION TO THE SIZE OF THE FIRM

There is one other very important

factor which enters into foreign credit granting. It is adaptability of viewpoint. Enough has been said to indicate that credits granted in foreign countries must have the same basis as those in the domestic trade. This applies with special force to the matter of size of firm. Some American manufacturers are inclined to regard with contempt orders from smaller dealers abroad. This is a mistaken attitude. It must be remembered that very frequently American specialties can be more easily introduced in foreign countries through small, local dealers than through large ones. These small firms are often relatively as sound risks as large importers. The American credit grantor should realize that in undeveloped and less important countries a capital of five, ten or fifteen thousand dollars may be proportionately as important as a capital of 25, 50 or 75 thousand dollars in the United States. The all-important consideration is the character of the merchant, his method of buying and his manner of payment. If the small dealer meets his obligations properly

(and he is often found to discount his purchases) he is certainly as good a risk, if not a better one, than the large importer. The credit man can be of great assistance to the sales department if the proper attitude is shown. It is well to realize this fact, especially in the case of the islands of the West Indies and the smaller communities in close proxim-

ity to the United States. It is in the newer and less developed countries that some of the best trade opportunities of the future are to be found. For all of these reasons there must be an open-minded attitude and an adaptability of viewpoint. This is far more essential in granting credits in foreign countries than in dealing in the domestic field.

## THE EUROPEAN SITUATION IN 1926

[Continued from page 840]

tion of a basis for payment of unsettled debts due the United States and also the unsettled debts due Great Britain. Adjustment having been made with the United States by Great Britain in 1923; by Poland in 1924 and during 1925 a basis arrived at for the settlement of the debts with nearly all of the remainder of the debtor countries, including Belgium, Italy, Rumania and others.

During the same period the basis of settlement due as between other countries, particularly those due to England, has been settled; and during the year 1924-25 and the first half of 1925-26 the Dawes Plan has, in the main, worked very well and there are no immediate difficulties in sight.

Of at least equal importance is the restoration of the gold standard in Great Britain and this was made possible largely through the wisdom and courage of the Federal Reserve Banks of the United States, operating through the Federal Reserve Bank of New York.

In addition the currencies of most of the other European countries have been placed either on a gold basis or brought to a point where they are practically on a gold basis.

### ADVANCES ABROAD BY THE UNITED STATES DURING 1925

Lastly, during the year the advances made by private arrangement in the United States to the governments, political sub-divisions and private concerns in various countries of the world amounted to \$1,300,000,000, and of this

Germany received in the neighborhood of \$233,300,000; other European countries received \$376,900,000; Canada \$260,600,000; South America \$198,800,000; while Central America received \$24,200,000 and the Far East and Oceania \$162,900,000. That the United States is to continue in making such advances in amounts somewhere in the bracket of the year 1925 seems certain.

Apparently, in this respect, America is doing her full share at least toward rehabilitation.

These happenings of the last year have been cited in an endeavor to show in a sketchy way the present situation in important European countries. To say that conditions in European countries have not shown immense improvement is to overlook all of these trends. On the other hand, to say that there are not serious obstacles to be overcome would be not to face the facts bravely. And yet the obstacles from a financial and economical viewpoint are certainly not insurmountable and it is my belief that if political machinations made possible by the fact that the democracies propose for the present, at least, to control in such questions be eliminated the adjustments will be rapid and effective.

Above all, when it is said the Germans cannot pay and that the franc is doomed, one should remember that the first is certainly not true yet—the chances are it will never be true; that the rough figures show that quite the opposite is true—that Germany can and will pay unless deterred by her creditors and it

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is to be remembered that stabilization of depreciated currency looks entirely feasible if certain necessary steps can be taken without too much political intrigue and political interference.

While it is recognized that great difficulties exist in the European situation and that others are bound to develop, as those now existing are overcome; yet, at this time none appear in sight that are impossible of solution.

When it is remembered that the making of these adjustments, past, present and future, always makes for new difficulties and new adjustments, and when one remembers that all such adjustments are made by governmental officials, always with the thought of satisfying the voting population, and, unfortunately, generally the most vociferous part (though a minority of such population) of their particular democracy; when we remember, that in some of these democracies until very recently the voters have been without interest or understanding of such problems, in some cases because the voters had no voice of control in such matters, in other cases where the voters are only beginning to realize that adjustments of questions arising outside their national boundaries really affect them; when we understand these things, one begins to appreciate how difficult is to be the working out of all such problems.

However, during the last fifteen months there has been marked, actual

and definite improvement of the machinery of foreign and domestic trade and industry and finance in most of the European countries and also a better actual economic and financial condition. Many steps have been taken in various countries and in various directions that show a distinctly favorable trend.

A distinct improvement in the general situation in Europe for the year 1926 over the year 1925 in living standards, wage increases, shorter working hours, adjustments in undue tariff obstacles, all of which would benefit commerce, should not be looked for, in the writer's opinion, and if such improvement should come America may expect to participate.

One development in Europe is possible, even probable in this calendar year—that is the expansion of international raw material and industrial trusts, already a matter of great moment to us.

These promise to be formidable organizations if they can be held together and where a participation is not contemplated competitive difficulties may be expected. To what extent creation of these trusts is the outgrowth of the feeling that they must combine for protection because America has not, since the war, at least, governmentally participated fully with the European countries in the effort to make re-adjustments and to what extent it is the result of economic pressures that are natural and should come in any event, only time will show.

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## THE FOREIGN TRADE OUTLOOK

[Continued from page 842]

ists, bankers and railroad and steamship men are awake to the importance of this development, eager to take their share and all building up the steadily increasing total.

The United States is reaching the stage of expanded interest and participation which tends to diminish the risk of the whole because of its widened distribution. No doubt there will be setbacks, local depressions, and situations unfavorable to a single line over an extended period, or unfavorable to several lines over a shorter time. America has developed a mass interest and participation in international commerce which spreads and reduces the shock of individual misfortune or lack of success. This is not infrequently the explanation of the complaint occasionally heard that "foreign trade is declining," when in fact only an individual or a concern has been affected. There were several hundred bank failures in the United States last year, but the banking establishment of the United

States as a whole has not ceased doing business. Some exporters of flour, for example, have complained recently that their business is dead, beyond possibility of reviving it. The export figures for last year show, however, that wheat flour was number ten on the list, with shipments aggregating over \$85,000,000. A hundred other lines which did not contribute nearly so large a proportion of American exports are all progressing, anticipating improved business and eagerly preparing for it.

### DEVELOPMENT A RESULT OF INTENSIVE STUDY

This development of America's trade, of which I have spoken, is the result of intensive study of the whole subject which thousands have been making in recent years. It is one of the aims and purposes of such meetings of men engaged in business as the National Foreign Trade Convention. The National Foreign Trade Council has steadfastly



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encouraged the smaller manufacturers in finding new markets and urged a greater diversification of products for sale as distinguished from the old method of exporting so-called staples. The council is by no means alone in its work. There are many organizations and groups all over this country, at interior points of production as well as at seaboard ports of shipment, which have made exhaustive study of principles and procedure in foreign trade. Discussion, debate, explanations and consultation on perplexing or difficult problems have gone on unceasingly. Experts in a line, a field, market, in every phase of this interesting but sometimes complicated business have freely given their advice to those of less experience. American foreign trade practice has benefited incalculably from this co-operation. Today we are seeing the result. The programs of these conventions are no longer filled with eager, self-searching criticism. The speeches condemnatory of packing, quality, etc., disappeared from our sessions because we have become thorough in study and prac-

tice, competent in manufacturing, merchandising and shipping. The old criticisms of American methods are seldom heard of, and quality is understood. The consular service is on a higher plane and the Department of Commerce is efficiently managed.

Salesmanship has had its share in this advance, and back of that the steady and solidifying of a definite foreign trade policy. The United States is giving practical effect to the sound and helpful belief that the best way to maintain our own success is to help our customers to succeed on their part in the distribution of our commodities. America has learned to study the problems of her customers in other lands, and to apply her experience and ingenuity in their assistance wherever possible. It is the high art of service put to effective, practical and profitable use.

There is still plenty to do. America must not fall into the error of thinking that because she has reached a creditable position by hard work and intensive application she can remain there

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### FOUR IMPORTANT FACTORS

Of the four great factors which contribute essentially to the maintenance of our foreign trade; production, communication, finance and transportation, we are equipped best in the first, while improvement has been made in the other three. As to transportation, the railway systems of the United States have attained a high efficiency. Attention is now being given to the development of inland waterways which will supplement rail transportation in keeping pace with the economic growth of the country and in assisting to solve the problem of economic distribution.

America's maritime situation, in certain important respects, is not much different from that of other countries. There is world wide depression in the shipping business. It is not confined to the United States. Generally speaking, the fleets of the world are carrying cargoes at less than the cost of operation. The tonnage that was inadequate for war service, or for the period immediately after the Armistice, was much too large for the restricted trade which followed.

Despite all the handicaps, economic and otherwise, under which shipping is conducted, more ships are now operating under the American flag and a larger proportion of American cargo is carried

in American bottoms than was the case before the war. More trade routes are served by privately owned as well as Government vessels, but until there is an improvement in world freights, the business as a whole is unlikely to reach the substantial measure of financial success which is necessary if new tonnage is to be built to replace obsolete craft. Meantime the great surplus tonnage of all nations is wearing out faster than re-



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placement is being made and the industry is gradually reaching a point where the supply of tonnage will more nearly approximate cargo opportunities.

Ever since the beginning of the war the world has been living on a lower plane than had been its custom. It is

gradually getting back to a pre-war status of production and consumption and in that lies the hope of betterment. The foreign trade outlook cannot be accurately forecast, but there are signs of recuperation and strengthening in the whole industrial fabric.

## BANKING AND COMMERCIAL LAW

[Continued from page 850]

authorities and many others support the text quoted: *Farley National Bank v. Pollock*, 145 Ala. 321, 39 So. 612, 2 L. R. A. (N. S.) 194, 117 Am. St. Rep. 44, 8 Ann. Cas. 370; *German National Bank v. Burns*, 12 Colo. 539, 21 P. 714, 13 Am. St. Rep. 247; *Drovers' National Bank v. Anglo-American Packing & Provision Co.*, 117 Ill. 100, 7 N. E. 601, 57 Am. Rep. 855; *Anderson v. Rodgers*, 53 Kan. 542, 36 P. 1067, 27 L. R. A. 248; *First National Bank of Chicago v. Citizens' Savings Bank*, 123 Mich. 336, 82 N. W. 66, 48 L. R. A. 583; *Minneapolis Sash & Door Co. v. Metropolitan Bank*, 76 Minn. 136, 78 N. W. 980, 44 L. R. A. 504, 77 Am. St. Rep. 609; *Western Wheeled Scraper Co. v. Sadilek*, 50 Neb. 105, 69 N. W. 765, 61 Am. St. Rep. 550; *Merchants' National Bank v. Goodman*, 109 Pa. 422, 2 A. 687, 58 Am. Rep. 728; *Winchester Milling Co. v. Bank of Winchester*, 120 Tenn. 225, 111 S. W. 248, 18 L. R. A. (N. S.) 441; *Pinkney v. Kanawha Valley Bank*, 68 W. Va. 254, 69 S. E. 1012, 32 L. R. A. (N. S.) 987, Ann. Cas. 1921B, 115; *American National Bank v. Savannah Trust Co.*, 172 N. C. 344, 90 S. E. 302; *Wingfield v. Security National Bank*, 38 S. D. 491, 162 N. W. 309; *Russo-Chinese Bank v. National Bank of Commerce*, 241 U. S. 403, 36 S. Ct. 652, 60 L. Ed. 1065.

The law as stated, *supra*, is the law of the land generally, and is the law of Missouri. *American Exchange National Bank v. Metropolitan National Bank*, 71 Mo. App. 451. The Ontario National

Bank to which plaintiff sent the check for collection and deposit proceeded in the usual manner, and was not guilty of negligence in doing so. *Herider & Herider v. Phoenix Loan Association*, 82 Mo. App. 427; *First National Bank v. Korn* (Mo. App.) 179 S. W. 721. In *Herider & Herider v. Phoenix Loan Association*, *supra*, the court held that the forwarding bank was negligent under the facts there obtaining, but in discussing a contention there presented the law was clearly stated. In that case we find this language:

"But defendant seeks to avoid the error of the Metropolitan Bank in sending the check to Marshall instead of Slater by the contention that it did not result in any more delay than the law permitted. The argument is based on the law that the holder of a check drawn on a bank at a distant place may place it in a bank for collection and that such bank, if it has no correspondent in the place where the check is payable, may on the day of receiving it or on the next day, transmit it to a correspondent at some other place, who in turn can wait until the next day after receiving to transmit to a correspondent at some other place, . . . until it reaches a bank which has a correspondent at the place of payment; provided the route of transmission is not unreasonably circuitous."

The Ontario National Bank was acting for plaintiff, and if that bank was not negligent, then of course plaintiff was not. The mere fact that the check was sent on a rather long and circuitous route is no evidence of bad faith or negligence,

if such was the common route of all checks under similar circumstances. According to conceded facts, we may say, the check in question was handled by the National Bank of Ontario as were all other checks of like or similar origin.

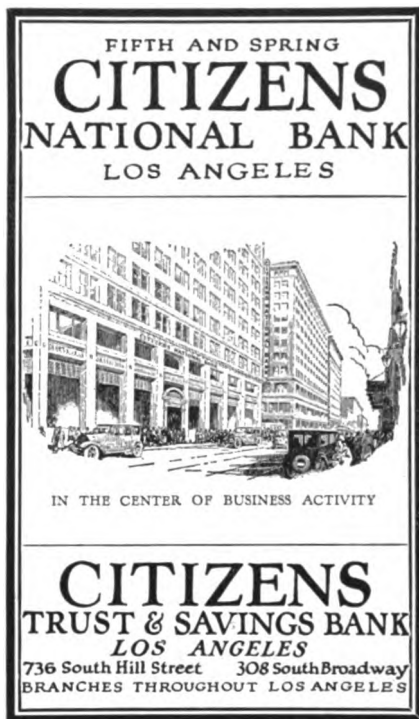
We do not deem it necessary to prolong this discussion. We find no substantial evidence in this record to sustain the conclusion reached below. According to the law as we have found it, if the National Bank of Ontario had acted differently, that is, other than according to the usual and customary procedure in such cases, and payment on the check had been refused, then said bank would have been guilty of negligence.

Whether a given state of facts constitutes due diligence in the presentation of check to the drawee bank is a question of law. *First National Bank v. Korn*, supra. The facts here are not controverted, and they are not sufficient to defeat recovery. The cause should be reversed and remanded; and it is so ordered.

ON MOTIONS FOR REHEARING AND  
TO MODIFY

BRADLEY, J.—Defendant has filed motion for rehearing, and plaintiff has filed motion to modify. The modification sought is that, instead of reversing the judgment and remanding the cause, the order be reversing the judgment and remanding the cause, with direction to enter judgment for plaintiff as prayed for in the petition.

The motion for rehearing is directed to the proposition that we reached an erroneous conclusion in the opinion filed. Under the facts presented, we believe that our opinion is in accord with sound reason and good banking and is supported by the great weight of authority. There is nothing in this record to show that there was any clearing point at Ontario or Vale or elsewhere through which the check might have been presented with less delay than was the result from the method followed. Neither is



there anything in the record tending to show that at the time the Ontario National Bank forwarded the check to its correspondent in Portland it had any knowledge or information to the effect that the United States National Bank of Vale was in an unsound or bad condition. Rather is the evidence on this question to the contrary. The cashier of the Ontario National Bank testified that the check, as were all checks received by his bank on banks in Vale, was sent to "the Northwestern National Bank of Portland, which was the nearest clearing house that we could use." Also, he testified:

"When we received the check we did not know that the United States National Bank of Vale was in a failing condition or that it was regarded among the bankers of that community as being unsound financially."

Neither did the plaintiff nor defendant have such knowledge or information. At the time the United States National Bank

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FOR

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of Vale failed plaintiff had on deposit in said bank "over \$3300," and defendant had \$8400.

Unless our opinion is in accord with the law, then, when a bank receives an item upon another bank in the same county, but out of the town or city where its own place of business is, or items upon banks in adjoining or nearby counties, such bank will at its peril handle such item through the constituted agencies that sound banking experience has established. And though there be no clearing point nearby and nothing to indicate that the bank upon which the item is drawn is unsound, yet such item may not be sent through the usual course except at the sender's peril. We do not believe that such is ought to be the law.

It is quite apparent that no importance was placed on the question of knowledge or information on the part of the National Bank of Ontario that the United States Bank of Vale was in a failing condition when the check was received by the National Bank of Ontario. This point arose during the consideration of the motions presented. It may be that upon a retrial an issue of fact may be made on this question. If so, it should be determined. Both plaintiff and defendant are in a sense innocent, but there is nothing here to show that plaintiff or his agent, the Ontario National Bank, was negligent, and unless such is shown plaintiff should prevail.

The motions for rehearing and to modify should both be overruled; and it is so ordered.

**DRAWEE NOT ALLOWED TO  
RECOVER MONEY PAID ON  
RAISED CHECK**

United States v. National Exchange  
Bank of Baltimore, United States  
Supreme Court, 46 Sup. Ct.  
Rep. 388.

Ordinarily, a bank which pays a check after it has been fraudulently raised is permitted to recover the money from the person to whom it was paid, even though the latter received it in good faith. This rule does not apply, however, where the drawer of the check and the drawee are the same person. In such a case, the drawee has the means of knowing and is bound to know the amount for which the check was drawn.

In the present case, a check for \$47.50, drawn by the United States Veteran's Bureau upon the Treasurer of the United States was raised by the payee to \$4750 and transferred to a bank in South Carolina. This bank negotiated it to the defendant bank by which it was collected from the United States. It was held, in accordance with the rule above stated, that the defendant bank was not liable.

In error to the United States Circuit Court of Appeals for the Fourth Circuit.

Action by the United States against the National Exchange Bank of Baltimore, Md. Judgment for defendant was affirmed by the Circuit Court of Appeals (1 F. [2d] 888), and plaintiff brings error. Affirmed.

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**ACCOUNTS INVITED**

**INTEREST ALLOWED ON DEPOSITS**

## OPINION

Justice HOLMES delivered the opinion of the court.

This is a suit brought by the United States to recover the difference between the amount to which a check paid by it had been fraudulently raised and the amount for which the check was drawn. The case was heard upon a demurrer to the declaration and the judgment was for the defendant both in the District Court and in the Circuit Court of Appeals. 1 F.(2d) 888. The facts alleged are as follows: A disbursing clerk drew a United States Veteran's Bureau check upon the Treasurer of the United States in favor of one Beck, for \$47.50. After it was issued the check was changed so as to call for \$4750. Beck endorsed it to a bank of South Carolina and received the amount of the altered check. That bank endorsed it: "Pay to the order of any bank, banker, or trust company. All prior endorsements guaranteed, June 3, 1922," negotiated it to the defendant, and received the same amount. The defendant endorsed the check, "Received payment through the Baltimore Clearing House, endorsements guaranteed, June 5, 1922," delivered it to and received the same amount from the Baltimore branch of the Federal Reserve Bank of Richmond, the agent of the plaintiff, which forwarded the check to the Treasurer of the United States and was given credit for \$4750. The Baltimore branch had no notice of the fraudulent change.

The Government argues that acceptance or payment of a draft or check al-

though it vouches for the signature of the drawer does not vouch for the body of the instrument, *Espy v. First National Bank of Cincinnati*, 18 Wall. 604, 21 L. Ed. 947; that this rule is not changed by section 62 of the Uniform Negotiable Instruments Law; Article 13, section 81, Maryland Code of Public General Laws: "The acceptor, by accepting the instrument, engages that he will pay it according to the tenor of his acceptance;" that the drawer and drawee of the check were not the same in such sense as to charge the drawee with knowledge of the amount of the check, and that therefore the United States can recover as for money paid under a mistake of fact. The defendant urges several considerations on the other side, but it is enough to say that the last step in the Government's argument seems to us, as it did to the Circuit Court of Appeals, unsound. If the drawer and the drawee are the same the drawer cannot recover for an overpayment to an innocent payee because he is bound to know his own checks. *Bank of United States v. Bank of Georgia*, 10 Wheat. 333, 6 L. Ed. 334. In this case there is no doubt that in truth the check was drawn by the United States upon itself.

The Government attempts to escape from this conclusion by the fact that the hand that drew and the hand that was to pay were not the same, and some language of Chief Justice White as to what it is reasonable to require the Government to know in paying out millions of pension claims. The number of the present check was 48218587. United



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The last scene in the life of the dollar bill. Photograph shows the destruction committee of the United States Treasury Department feeding cancelled money to the macerator to be ground into paper pulp.

States v. National Exchange Bank, 29 S. Ct. 665, 214, U. S. 302, 317, 53 L. Ed. 1006, 16 Ann. Cas. 1184. But the Chief Justice used that language only to fortify his conclusion that the United States could recover money paid upon a forged endorsement of a pension check. He cannot be understood to mean that great business houses are held to less responsibility than small ones. The United States does business on business terms. *Cooke v. United States*, 91 U. S. 389, 23 L. Ed. 237. It has been suggested that the ground of recovery for a judgment under a mistake of fact is that the fact supposed was the conventional basis or

tacit condition of the transactions. *Dedham National Bank v. Everett National Bank*, 59 N. E. 62, 177 Mass. 392, 395, 83 Am. St. Rep. 286. If this be true, then when the United States issues an order upon itself it has notice of the amount and when it comes to pay to an innocent holder making a claim as of right it is at arm's length and takes the risk. We are of opinion that the United States is not excepted from the general rule by the largeness of its dealings and its having to employ agents to do what if done by a principal in person would leave no room for doubt.

Judgment affirmed.

## PUTTING THE ADVERTISING FAKER OUT OF BUSINESS

[Continued from page 844]

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# THE FINANCIAL AND ECONOMIC SITUATION ABROAD

BY WILLIAM HAYES

**B**RITAIN has met the general strike and conquered it. This "bogey man" which the unions and radical agitators have so often used to frighten unruly employers and nations into complying with their wishes turns out to be like the old dinosaurs. He has enormous strength but little brains or courage. So he can be set to flight by resolute defiance.

## HOW IT STARTED

It all began way back in the spring of 1925, when the coal mine owners discovered that it was costing them more to extract a ton of coal from the ground than they could sell the coal for. They announced that wages must be reduced (that being the easiest way to reduce costs) if the mines were to continue to operate. This announcement very nearly precipitated a strike of the coal miners at that time. The threatened strike was avoided only by granting a government subsidy for six months pending a study by a Royal Commission of possible ways of reducing costs.

Most of the six months was spent by the commission in investigating the problem, the government taking no action until it should have this report before it. The report, published in March of this year, admitted the necessity of reducing costs, and proposed to do so immediately by a temporary reduction of wages. The permanent reduction of costs is to be accomplished by the unified operation of all coal mines. Under the plan, the government will buy all the mines, and will then lease them out to private initiative. Unified operation and mechanical improvements (it is inferred from the report) will eventually reduce costs enough to allow the restoration of the

old wage scale. What is more likely is that the saving would be accomplished by the government's foregoing the normal profit which every private business man must have to exist.

## MINERS REFUSE TO ACCEPT TERMS

The mine owners accepted the report, although they had previously suggested that reduction in railway rates (through a reduction in the wages of railway men) and an increase of working hours of the miners should also contribute in the reduction of costs. The miners, however, adopted the slogan "Not a penny off wages; not a minute more work." In other words, they refused to have any share in the attempt to reduce costs. They insisted that conditions for them must not change. If economies are to be effected, the owners must effect them. The men declined to help. Taking this attitude even before the conferences began, there was little hope for agreement.

As April 30 drew near (the date for the expiration of the subsidy) and there seemed to be no hope of any agreement being reached, some mine owners posted wage reduction scales to go into effect May 1. The miners immediately protested that they were being threatened with a lockout. The coal strike went into effect on May 1, but was not felt until May 3, because of the intervening holidays. During the last week of April Premier Stanley Baldwin was carrying on almost continuous conferences, first with the miners' union, and later with the Trades Union Congress. The negotiations were handed over to the latter as a polite hint that there might be a general strike. It was a delicate way of threatening the government. While these

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conferences were still going on, as the Prime Minister reported later, he learned that the Trades Union Congress had already given orders for the general strike. He ignored these reports, and continued his efforts to find some basis for agreement.

#### LIBERTY OF THE PRESS OBSTRUCTED

The Trades Union Congress had had enough of conferences. The men wanted to try their strength in action. On Sunday night, the printers of the *Daily Mail* took exception to an editorial, which was to be run under the caption "For King and Country," and which declared that "a general strike cannot be tolerated by any civilized government." The men demanded that this editorial be eliminated or altered to comply with their ideas. The editor very properly refused, practically the whole force quit work, and the paper did not appear on Monday morning.

Upon hearing of this, Mr. Baldwin

threw up his hands and ceased negotiations with the Trades Union Congress, refusing to deal with them any more until the order for the general strike was withdrawn. Both workers and the government stood firm, and the strike went into effect on midnight, Monday, May 3. The trades involved in the strike were the Miners' Federation, the National Union of Railwaymen, the Railway Clerk's Association, the Associated Society of Locomotive Engineers and Firemen, the Transport and General Workers' Union, the Iron and Steel Trades Confederation, the paper and printing trades, and the Electrical Trades Union.

Practically no papers were printed during the first day of the strike, but on the second day two appeared, the *British Gazette*, issued by the government, and *The British Worker*, issued by the strikers. Transportation was badly tied up, except for a multitude of buses and taxicabs, totally inadequate to carry all the people. Volunteers flocked to recruiting stations from all parts of the



● HERBERT PHOTOS, INC., N. Y.

Some of the British coal miners whose grievance caused the general strike. The men are shown walking out on their last strike.

country, and after a few days, a fairly good railway service was restored. The unions made no effort to interfere with food supplies, and a huge milk depot was set up in Hyde Park to supply London. There was some rioting and some interference with bus drivers, but it was surprisingly small for a strike this size. Every day witnessed improvement in the situation, until on May 12, the Trades Union Council unconditionally called off the strike.

#### PUBLIC AGAINST STRIKERS

Undoubtedly the most potent influence in ending the strike was the evident determination of 40,000,000 British people not to allow 4,000,000 workers to dictate to them. Throughout the strike there was a noticeable lack of sympathy with the strikers, which slowly developed into actual hostility, with the declaration that a general strike is entirely illegal and that the unions would

be sued in the courts for the damages resulting from it.

It was quite evident to anyone but the strikers that the general strike was a bluff, an attempt by the strikers to impose their will upon the British public. They said, in effect, that the government (that is, the public) must support the coal industry, though at a loss, on penalty of being deprived of normal comforts. It seems to have been believed by the strikers that this threat would so frighten the British nation that the government would scramble to renew the subsidy. Stanley Baldwin characterized the strike as an attempt to overthrow constitutional government, and substitute for it a dictatorship of the laboring men. There is logic in this. What the strikers desired was a continuance of the subsidy. The British people had shown, through their representatives, that they did not choose to continue this subsidy. The unions, therefore, set out to force the government to continue it, whether the govern-

ment or the people wanted to or not. They were not sparing in the methods they used, nor very thoughtful in their use of them; for the first thing they did was interfere with the freedom of the press, a thing which even governments fear to do. This, more than anything else, is calculated to alienate the sympathy of thinking people. For if a cause cannot stand up in the face of publicity and knowledge of the facts there must be something wrong with it. There was.


#### THE FALLACY IN THE GENERAL STRIKE THEORY

The fallacy in the idea of the general strike seems so evident that it is difficult to understand why the unions cannot see it. The general strike is a strike against the public. It is an attempt to force the public through discomfort, to aid the strikers in gaining their objective. It ignores completely the fact that the strikers are as much a part of the public as the people against whom they are striking; that in most cases the resources of the strikers are more limited than those against whom they are striking, hence they are the first to suffer; that the people who are not striking earn enough to buy some small quantity of what goods are available, while the strikers earn nothing.

The most successful general strike would be one which completely shut off all supplies of electric light, heat, food, water, and all the things most necessary in modern civilized life. But if that were done, the strikers would be the first to suffer, and would probably suffer most severely. Men will not suffer thus for very long when the only thing to be gained is a doubtful victory for some other men—the coal miners.

#### EVERYBODY LOST BY THE STRIKE

This strike was particularly futile. No one gained anything by it, much has been lost, and nothing has been accom-



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plished. The workers have lost the wages they might have earned during the strike period, which can never be regained, for labor is perishable and if not used the day available is gone forever. They have lost also the respect and trust of the people, and that sympathy which is so essential if they are to be successful in later strikes.

The government has lost a great deal of money in the administration of the strike, and a corresponding amount of taxes through the disorganization of trade and industry caused by the upheaval. The country has lost through suspension of work and interference with other work.

The pathetic thing about the whole strike is that nothing has been gained. The general strike has been called off, but the miners are still on strike. The dispute between them and the mine owners which was the genesis of the whole thing continues as before, and is no nearer solution. When it is realized that the average wage of a miner in

Britain today is \$13 per week, his plight must excite sympathy. Surely an industry which cannot make profits on such a wage is capable of great improvement. But if it cannot, in its present stage of development, the remedy is not in insisting that the mine owners be driven into bankruptcy by producing coal at a loss, or that the country be saddled with making up the deficit—but rather in withdrawing men from that industry to some other more remunerative.

In Britain as in the United States, the number of coal miners is greatly in excess of actual needs. They have some excuse for staying in that industry in Britain more than they do in the United States, for in Britain other jobs are not so easy to get. Only a trade revival will cure that situation. Meanwhile, it would seem the course of wisdom for the miners to accept a temporary lengthening of working hours. They are unwilling to accept a reduction in wages, and properly so. But there is no reason why they should not work eight hours, if that is

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necessary to restore the coal mining industry to normalcy. Eight hours is not an abnormally long working day. The extra hour at present is not utilized in any remunerative fashion, so that there will be no loss to the miners save a loss of leisure. And even that need not be permanent. If the owners are not successful in so reducing costs in a reasonable time so that the former length day can be restored, the general situation will probably have righted itself industrially in England so that miners can look for other work with some chance of success.

In the meantime they will have been contributing to the common good by continuing production (the greatest need of the world at present) and will have benefited themselves by earning something. To continue the present slogan of "not a penny off wages, nor a minute on hours" while out of work, will inevitably result in a greater actual reduction of wages over the year, through involuntary unemployment, than would come about through

the temporary reduction of wages suggested by the report of the coal commission.

### INVESTMENT MARKET MORE ACTIVE

The dullness in the London investment market which was reported last month seems to be passing. Its influence, however, is plainly reflected in the compilation of new capital flotations made by the Midland Bank Limited, London, which shows that new issues for March amounted to only £23,902,000, as compared with £25,759,000 in February and £28,367,000 in January. The total for the first quarter of 1926 was considerably over former figures for the first quarter at £78,028,000. In 1925 flotations for the first quarter amountd to only £57,399,000, and in 1924 to only £47,252,000. London is regaining its position as an investment market. Reports late in April indicated that the market was becoming more active. A



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few issues were promptly oversubscribed. It is probable that this renewed activity was halted by the prospects of the general strike and its realization.

## BUDGET INCLUDES TAX ON BETTING

The budget for 1926-27 which Winston Churchill presented to Parliament on April 26 showed expected revenues of £824,750,000, and expenditures, including £60,000,000 for the sinking fund, of £820,641,000, leaving a surplus of £4,109,000 to pay the expenses arising out of the report of the coal commission. This whole surplus has probably been spent in the expenses of the strike.

The item in the budget which aroused the most interest was the imposition of a 5 per cent. tax on betting. It is to be imposed on cash bets by means of tickets issued to bookmakers, which will have to be handed to the backers when the bets

are laid. The tax seems to find favor nowhere. The clergy and those opposed to betting are against it because it is a tacit admission by the government of the legitimacy of betting; while those interested in betting oppose the tax on the ground that it will be impossible to collect and will be disastrous to racing. Some racing men went so far to say that it would "sound the death knell of British thoroughbred breeding." Another newspaper calculated that "between five and ten thousand people will be thrown out of employment in the racing and breeding industries. The farmers will suffer, as there will be a decreased demand for fine British oats on which race horses are fed." This is going the limit in pessimism, and thoughtlessly, too. For taxation, as taxation, seldom destroys any business. The liquor industry in the United States was very heavily taxed, yet it flourished. And even if racing were discontinued, it does not follow that breeding would be discontinued. The "decreased demand for fine British oats" which seems to alarm one newspaper is probably negligible when considered in comparison with the total production of oats in Great Britain.

The real objection to the tax lies in the difficulty of collection. Betting has not been generally recognized as legal, and the attempt to tax it is likely to drive the bookmakers into "bootlegging" bets on the streets. Collection of the tax efficiently would necessitate an examination of their books—a thing which they have no stomach for. The tax is expected to bring in £1,500,000 during the present year, and £6,000,000 in the next full year.

Two other revenue changes in the law are of interest to American manufacturers. A tax of 16-2/3 per cent. ad valorem on wrapping paper has been imposed; and the former tax of 33-1/3 per cent. duty on imported motor cars has been extended to cover commercial vehicles.

The budget receipts include an ex-

pected payment of £4,000,000 from France on account of her war debt.

AGITATION FOR PAYMENT OF OLD  
STATE DEBTS

The Corporation of Foreign Bondholders of Great Britain which has been carrying on for several years a battle for the recognition of repudiated debts of certain states of the United States, has obtained the backing of the British Chambers of Commerce, and has presented a resolution in the House of Commons, requesting the British Foreign Secretary to ask Ambassador Houghton to call the attention of the American Government to the fact that "Alabama, Arkansas, Florida, Georgia, Louisiana, Mississippi, and North and South Carolina defaulted on their debts for moneys lent for industrial purposes and for national development and that the eight defaulting states are now wealthy and should meet their obligations."

The difficulty about this is that even were the Foreign Secretary to transmit the message (and he has so far declined to do so) the American Government could do nothing about it, having no authority to compel the states to pay their debts. Every thoughtful American financier regrets the repudiation of these debts, and would like to see the states assume them and wipe this black spot off the history of American finance, but the citizens of the states seem to feel dif-

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ferently. And so long as they refuse to pay, little can be done.

This attempt to have the states recognize these debts differs from former attempts in that the corporation is willing to disregard the debts arising out of the Civil War. The total amount of the loans is about \$75,000,000. The corporation has been attempting to have them

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recognized for almost fifty years, and says it intends to keep up the fight until some sort of a settlement is made. In pursuance of that policy it brings the matter up every year for consideration.

#### FORMER GERMAN PRINCES WANT RETURN OF PROPERTY

At the time of the revolution in Germany, the Hohenzollerns and the other royal families were somewhat rudely deprived of their property. Through the Nationalists in the Reichstag they have set on foot a movement to get compensation for this confiscated property. Naturally this is opposed vigorously by the Socialists and Radicals, who are for expropriating the princes without any compensation whatever, and seem to have very strong support. The government suggested that a special judicial tribunal be set up for the settlement of these claims.

The immediate effect of this proposal was to start a movement for the complete revision of the whole question of revaluation in Germany. Those arguing for revision of the revaluation law contend, quite justly, that it is inequitable to scale all mortgage debts, bonds, etc., of business men to at most 12 per cent., and then to set up a court which may possibly award to the German princes revaluation of their claims at 50 or even 100 per cent. of their value.

The Reichstag Judiciary Committee finally broke off negotiations on the problem, after the submission of the most

reasonable proposal in the whole controversy; i. e., that no attempt be made to return the property nor to compensate the former owners, but that instead the property be confiscated and the princes allowed pensions which will allow them a comfortable living. It would be unfortunate to deprive them entirely of their means of support for most of them could not support themselves, but it would be monstrous to have business men's claims revalued on a basis of 12 per cent. and then allow these parasites to receive 100 per cent. of claims which they never earned or had any moral right to.

#### BUSINESS REVIVAL SLOW AND SPOTTY

Indications of recovery from the very severe depression in Germany continue, but they are by no means general or extensive. Unemployment decreased slightly from 1,942,000 on April 1 to 1,884,000 on April 15; and commercial failures show a continuous drop since February, when the average was 483 per week. During March this was reduced to about 427 per week, and the total for the first two weeks of April was only 693. Unemployment may be expected to show a much larger reduction in the coming months, all other things remaining equal, as agriculture and the building trades absorb more men for their spring and summer programs. The steel mills report a slight increase in activity, and railroad cars in use have increased. The condition of the coal trade is worse. The

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textile trade experienced an improvement, which, however, did not last.

It is evident that this improvement is as yet on a very small scale, for it has absorbed none of the surplus of money on hand in Berlin. The money market continues abnormally easy, with day to day money at about 3 to 4 per cent., while the private discount rate has been reduced from 5 to 4¾ per cent.

Ease prevails also in the investment market and foreign borrowing has been considerably reduced. Many loans are now being floated at home. For example, in the April issue of THE BANKERS MAGAZINE an issue of German Consolidated Municipal bonds was described, which was expected to be only the fore-runner of numerous further issues in the United States by the same borrower. The savings banks and clearing association found it cheaper to make the next issue of these bonds an internal loan, and it was heavily oversubscribed. Domestic bond issues in April aggregated 389,000,000 marks, against 98,000,000 in March, and 144,000,000 during the whole of 1925. Foreign loans placed by German states, municipalities and corporations during 1925 totaled 19,281,000,000 marks. The total of such loans for the first four months of 1926 was only 458,000,000 marks. Most of the loans issued in Germany yield between 8 and 9 per cent.

As in the United States, the ease in the money markets in Germany has stimulated the stock market, which reached a stage of almost feverish specu-

lation early in April. A few instances of the rises in prices are indicative: Deutsche Bank stock rose from 104 on January 2, to 137 on April 1; Harpener Mining rose from 83 to 113½ in the same period; Schwartzkopf Machinery rose from 41½ to 78; A. E. G. Electric Works from 82¼ to 107½; and Hamburg American Steamship Company from 94⅞ to 161½. Since the first week in April the activity on the Boerses

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has abated somewhat, but quotations have receded but little.

#### TRADE BALANCE VERY SATISFACTORY

March exports from Germany showed an excess of 278,000,000 marks over imports, the fourth successive month of an export balance. This tendency began with December, 1925, when there was a small export balance of 36,000,000 marks, and has been steadily increasing. It has been accomplished by a reduction of imports and an increase of exports combined, the former being the larger factor. For the first quarter of the year 1926, the export balance amounts to almost 500,000,000 marks, as compared with an import surplus of 1,354,000,000 for the same quarter in 1925.

This steadily growing export balance is a step in the right direction, and goes far to disprove with figures the contention that Germany will not be able to meet her reparations obligations. A great part of the decrease in imports may be due to the depression in Germany,

which has reduced the purchases considerably. Much more potent probably are the strenuous efforts which the government is making to stimulate export trade. The budget provided for the German Foreign Office for the fiscal year beginning April 1, 1926, is 58,670,000 marks, a 20 per cent. increase over the 48,743,000 marks provided last year. This is concurrent with a reduction of the passport and visa fees, and therefore involves a direct drain upon the treasury. Special rates for goods to be exported are made by the railways, and the formation of trusts is encouraged. Then there is the 300,000,000 mark fund set aside for the guarantee of a certain share of the risks assumed by German manufacturers and exporters in trading with Russia, which a recent newspaper dispatch says is now being used. All these factors materially help German export trade.

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fiscal year ended March 31, 1926, compared to the 6,770,500,000 estimated in the budget, the German accounts showed a deficit of about 462,000,000 marks, expenditures totalling 7,641,002,096. It is said that this deficit is not an actual deficit but is caused by items included in expenditure which were carried over from the previous year. It seems evident that the estimates of the revenues must have been a conservative one, to be exceeded in spite of the severe crisis in Germany last year.

### A PLAN TO EXTINGUISH DEBTS BETWEEN NATIONS

The *New York Times* came out on April 28 with a three-column headline "World Bankers Draft Colossal Scheme to Pay Off All Debts Between Nations by Private Sale of Dawes Plan Bonds," under which Edwin L. James, one of the *Times'* European correspondents stated that the proposal is to sell in the open market the 11,000,000,000 gold marks

of bonds against German railways and to sell in the same manner the 5,000,000,000 marks of mortgages issued against German industrial plants. At the present time, these securities are pledged with the Agent General for Reparations as security for the payments. Mr. James estimated that these securities are worth \$3,750,000,000, and that they could be sold for \$3,000,000,000 or more, if they were made completely tax exempt in every country. The cash would be turned over to the Allies as reparation payments, and the Allies in turn would pay their debts to the United States in cash at their present value, which Mr. James says would hardly amount to more than \$3,000,000,000.

Thus, says Mr. James "all reparations arrangements would be wiped out and all plans for payments to America over sixty-two years by Britain, France, Italy and other continental nations could be torn up since they would all be settled."

The project as described ignores a number of important facts. In the first

# BANKING IN FINLAND!

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(Helsingfors), Finland

**138 Branches at all important business centres in Finland**

|                               |   |   |   |               |
|-------------------------------|---|---|---|---------------|
| Capital Fmk.                  | - | - | - | 150,000,000   |
| Reserve Fund and Profits Fmk. |   |   |   | 123,000,000   |
| Total Assets (31/12 '25) Fmk. | - |   |   | 2,101,000,000 |

***All descriptions of banking business transacted***

**Telegraphic address: KANSALLISPANKKI**

place, the Germans would probably object to having the bonds of their railways and industrials held by foreigners. It is not a part of the Dawes Plan to give foreign nations any control of property in Germany so long as the reparations obligations are met. These bonds are set up, partly as a measure of security, and partly to make the railways and industries of Germany pay their share of reparations.

Again, Mr. James' estimates are very liberal. According to the latest compilation, the present value of the debts of foreign nations due to the United States is nearer to \$6,000,000,000 than \$3,000,000,000. No calculation is made to show that the reparations are paid to the countries involved in proper proportion to enable them to transmit the amount to the United States in payment of the debt.

The bonds referred to, issued under the Dawes Plan, are 5 per cent. bonds. With the average yield of foreign bonds in the United States (where capital is

probably cheaper than anywhere else in the world) at about 7 per cent., it is obvious to any bond man that there would have to be a considerable discount on the bonds to sell them—especially since the quantity is so large. This is leaving out of consideration entirely the underwriters' charge for marketing the bonds.

Even if these difficulties could be overcome, it is doubtful if the plan would be wise. It would involve the transfer of the reparations obligations from governments to individuals, with a consequent difficulty to the collectors, if the debtor takes it into his mind that he does not want to pay. Individuals in the United States would have a hard time collecting from German industries which refused to pay, or were unable to pay. It would make citizens of the United States or of whatever country bought the bonds accept a very inferior risk. At the present time, the United States has the obligations of Great Britain, Italy, France, and other nations. Under this plan the bond-

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**Reserve . . . . . Frs. 11,000,000**

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**BRUSSELS \_\_\_\_\_ OSTEND**  
**CORRESPONDENTS**  
**AT ALL BANKING POINTS**

holders would not have the obligations of any nation, but instead the obligations of certain railways or industries within Germany; and it is a well known fact that government bonds are usually superior to railroad or industrial bonds. And most citizens of the United States would prefer bonds of Great Britain or France to bonds of Germany. This scheme is probably a "trial balloon" of some or several of the European countries, to see how the United States will receive such a plan. If it were accepted it would relieve them of their war debts. That is a thing much to be desired, if it can be done without impairing the security of the debts due to the United States. But plainly the security is impaired by this scheme.

The announcement was not greeted with much interest in this country. One financier, quoted in the *Times*, settled the matter quite briefly. "There is nothing intrinsically wrong with the new proposal, but I can see no chance of its adoption, and I have heard no discussion of such a plan in the banking world. The plan undoubtedly was conceived by worthy people and contains worthy words. But more than words are needed to settle these problems." It will be a surprise if anything further is heard of it.

#### FRENCH DEBT FUNDED AT LAST

After many rumors from France that her representatives for debt funding were to insist upon the linking of the French debt with the German repara-

tions, and various other unacceptable specifications, an unconditional agreement was finally reached on April 29 for the payment of \$6,847,674,104 over a period of sixty-two years. This constitutes payment of principal and interest on the debt, which on April 15 amounted to \$4,337,000,000, and is equivalent to about a 50 per cent. cancellation of the debt, calculating normal interest at 4¼ per cent. It is about \$625,000,000

### Trade With Sweden

## **Aktiebolaget Göteborgs Bank**

**Gothenburg and Stockholm  
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Established in 1848

**Own capital Kr. 78,750,000  
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**Through our many branches and correspondents all over Sweden we are able to offer every accommodation possible for banking transactions in Sweden.**

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Capital fully paid-up . . . (Pesos) 6,750,000 - (\$3,375,000)  
Reserve funds . . . . . " 2,250,000 - (\$1,125,000)

Head Office: **MANILA, P. I.**

BRANCHES: **ILOILO, CEBU, ZAMBOANGA**



Fulgencio Borromeo .....President  
Rafael Moreno .....Vice-President & Secretary  
J. M. Browne ...Vice-Pres. & Mgr. Foreign Dept.  
D. Garcia .....Cashier  
S. Freixas .....Chief Accountant  
P. J. Campos .....Manager Iloilo Branch  
E. Byron Ford .....Manager Cebu Branch  
J. M. Garcia .....Manager Zamboanga Branch

*Correspondents in all parts of the World*

**Special attention given Collections**

more than the \$6,220,000,000 which M. Caillaux offered last fall.

No interest is to be paid for the first five years. From 1931 to 1940, inclusive, the rate is to be 1 per cent.; from 1941 to 1950, 2 per cent.; from 1951 to 1958, 2½ per cent.; from 1959 to 1965, 3 per cent.; and from 1966 to 1987, 3½ per cent. Averaged, the rate of interest is about 1.58 per cent. The schedule of payments follows:

|                   |       |              |
|-------------------|-------|--------------|
| 1926              | ..... | \$30,000,000 |
| 1927              | ..... | 30,000,000   |
| 1928              | ..... | 32,500,000   |
| 1929              | ..... | 32,500,000   |
| 1930              | ..... | 35,000,000   |
| 1931              | ..... | 40,000,000   |
| 1932              | ..... | 50,000,000   |
| 1933              | ..... | 60,000,000   |
| 1934              | ..... | 75,000,000   |
| 1935              | ..... | 80,000,000   |
| 1936              | ..... | 90,000,000   |
| 1937              | ..... | 100,000,000  |
| 1938              | ..... | 105,000,000  |
| 1939              | ..... | 110,000,000  |
| 1940              | ..... | 115,000,000  |
| 1941              | ..... | 120,000,000  |
| 1942-86 inclusive | ..... | 125,000,000  |
| 1987              | ..... | 117,674,104  |

The settlement differs from the offer made by M. Caillaux in the same manner as the American settlement of the Italian debt differed from that of Great Britain with Italy; i. e., the payments are considerably smaller in the first ten or fifteen years, and considerably larger thereafter, thus compensation being made for waiting for payment.

There was no reference in the settlement to any abatement of payments in case of non-payment of reparations by Germany, and for this reason the agreement was immediately subject to severe criticism by the French newspapers. Some of them immediately and vigorously recommended that the French Parliament reject the proposed settlement, and but few looked on it with any favor at all. Only one strongly advocated the settlement.

While there was no such unanimity of opinion against the settlement in the United States, there bids fair to be considerable opposition to its ratification. Senators Reed and Borah immediately

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**O**UR close contact with the commercial activities with five Offices in the City and various Branches in other parts of India, puts us in the best position to serve you.

**S. N. POCHKHANAWALA, Managing Director**

attacked it as a violation of the authority by the debt funding commission in that it amounted to a virtual cancelation of a good part of the debt. The law creating the debt funding commission specifically forbids the commission to cancel any part of the debts due to the United States.

#### **FRANC STILL FALLS**

Evidently the financial world does not regard the settlement as very favorable to France, even as favorable as had been expected, for on the day the debt settlement was signed the franc declined to 3.27½ cents, the lowest point in its history up to that time, and later declined to below 3 cents.

The passing of the budget on the same day the debt agreement was signed had no more effect in maintaining the franc. The budget, as completed totals 37,500,000,000 francs, the largest in French his-

tory, and provides a surplus of about 160,000,000 francs. The passage of the budget has been the most difficult problem the cabinet of France had to contend with, and has caused the downfall of five Finance Ministers, but it came too late to accomplish the desideratum—the stabilization of the franc.

The franc kept sliding as the French legislative bodies refused, time after time, to agree on any method for levying sufficient taxes to anywhere near balance the budget, finally reducing the external purchasing power of the franc so that though imports in March, 1926, were only 394,600 metric tons as against 394,700 metric tons in March, 1925, the cost of those imports, in francs was 5,095,000,000 francs in 1926 instead of 3,318,000,000 francs as in 1925. Thus, though in tons the trade position has improved from last year, when an export balance was shown, in terms of money, the balance for March was an import balance,

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**GENERAL BANKING SERVICE      COMMERCIAL BANKING  
FOREIGN EXCHANGE—COMMERCIAL AND TRAVELERS' LETTERS OF CREDIT  
SPECIALLY EQUIPPED TO EXTEND BANKING SERVICE WITH ITALY**

*Affiliated with Banco di Sicilia with Head Office in Palermo, Italy  
Fiscal Agents for the Royal Italian Treasury*

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Rotterdam                      Amsterdam  
The Hague

Capital . . . . . *fl*50,000,000  
Reserve . . . . . *fl*20,000,000

Every description of banking business transacted, including the making of collections, the issuance of travellers' letters of credit and documentary letters of credit, buying and selling of foreign exchange and of stocks and shares.

Our large capital and complete organization enable us to handle all matters entrusted to our care with efficiency and promptness.

Representative for the United States

J. Enderman, 31 Nassau Street, New York

though the lowest in six months—125,000,000 francs. The figures for the first quarter of the year, as compared with 1925 were as follows:

#### FOREIGN TRADE OF FRANCE

(In millions of francs)

|          | 1926    |         | 1925    |         |
|----------|---------|---------|---------|---------|
|          | Imports | Exports | Imports | Exports |
| January  | 4,483   | 3,868   | 3,164   | 3,551   |
| February | 5,245   | 4,409   | 3,346   | 3,604   |
| March    | 5,095   | 4,960   | 3,318   | 3,755   |
| Totals   | 14,823  | 13,237  | 9,828   | 10,910  |

It is a curious thing that while the external value of the franc has been declining, in France the franc, as measured in purchasing power (the index number) has shown a slight increase. The index number declined from 649 in February to 645 in March. Prices have held fairly stable in France since December, when the index figure stood at 646. In January it rose to 647; in February to 649, and then March showed the decline referred to above.

#### WORLD WIDE DECLINE OF PRICES

This seems to be a part of the general decline of prices all over the world, which began last year. It is causing no little comment among economists. The high point in Great Britain was reached in July, since which time the index figure has declined from 158 to 148.4. In the United States the decline began in August, 1925, and, though interrupted by an autumn rise of prices, the index now stands at 142.3, as against 154.6 in July, 1925. In Italy, the index declined from 730.7 in August, 1925, to 693.4 in March, 1926; in Switzerland from 159 to 151; in Germany from 1445 to 1375; in Sweden from 160 to 148; in Norway from 260 to 211; in Denmark from 234 in January, 1925, to 141 in March, 1926; and in Holland from 160 in January, 1925, to 149 in February, 1926.

India, China, and Canada are exceptions to this general trend, all of them showing rising or stable prices. The deflation policy pursued by the Scandinavian countries explains the decline of

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The volume of your business depends principally on local market conditions ruling the commodity and also in an indirect way on the situation in general.

When is the right time to increase your sales to Porto Rico? When to curtail them? Are collections moving rapidly or are they being met slowly?

Only a Bank close to the situation can give efficient service and give you such thorough information as will enable you to guide your policy in the right direction.

prices there; the return to the gold standard (which naturally involved some deflation) is the cause in Great Britain, but no explanation has been found for the decline in the United States and Holland, which countries are well settled on the gold basis and have been enjoying good business. One thing is quite evident; the world is so linked up economically that a decline in prices in several countries of the world inevitably affects other countries.

#### THE "SAVE THE FRANC" FUND

The French budget for this year shows plainly France's real fiscal problem—her internal debt. Fifty-eight and a half per cent. of the expenditures in the budget for 1926 must be used for debt service, and this includes no provision for the reduction of the floating debt. In 1913, only 27 per cent. of the budget was devoted to debt service. Some means must be found to reduce this burden if the nation is to make any progress financially. The authors of "The French Debt Problem" after considering this, came to the conclusion that the only solution is to scale the interest on the debt—level it all to a flat rate of 2 per cent. This is naturally distasteful to any nation. France may feel (and show that she feels) that the United States should cancel her war debt, but she will not ask for cancellation, or refuse to pay.

Similarly, though her internal debt burden is a crushing one, she hates to escape by the avenue of repudiation, which is what a scaling of interest payments would amount to.

One method that has been suggested, and grasped at as the proverbial drowning man grasps a straw, is to establish a fund to which public spirited French citizens can contribute sums of money or bonds for cancellation. It began when the citizens of one French town got together and held a public burning of their holdings of French bonds; and was made more systematic when the Ministry of Finance opened a special department to take care of such contributions. The President of the Republic and practically all the national figures in France have made contributions to the fund, the contributions from the public ranging from the 1,000,000 francs given by Sir Basil Zaharoff, to a 35 franc bit from "M. Toumy Abd-el-Kader." No figures are available as to the total amount collected in the fund to date. It is something new in financial measures, and is a very happy solution, if it does not fade from the mind of the public as soon as the present crisis is past.

#### BUSINESS IN FRANCE AND ITALY STILL GOOD

The figures for iron and steel production in France in March established an-

**FULLY 65%** of the imports of Porto Rico enter through the Port of San Juan. Our head office is in San Juan, our branches are at such strategic points, for commercial banking and collections, as the seaports of Arecibo, Mayaguez and Ponce with an inland branch at Caguas. We have an intimate knowledge of the people while safeguarding the interests of our clients in the United States.

*We Specialize on Collections*

## **AMERICAN COLONIAL BANK OF PORTO RICO**

other high record. The iron output was 772,000 tons, compared with 706,000 tons in February and 763,000 tons in January, the previous high. Seven hundred twenty five thousand tons of steel were produced in March, 630,000 tons in February, and 661,000 tons in January. The previous high point in production of steel was reached last October, with 668,000 tons.

Trade in other lines is still active in France, although the textile industry is feeling the effects of exchange instability and is reluctant to quote for late summer delivery. Agricultural conditions are unusually favorable.

### **IMPROVEMENT IN SOUTH AMERICAN BUSINESS SLIGHT**

Little change can be reported in the depression which covers practically all of South America. The surplus of imports, on which the depression is blamed, still continues. Large stocks of goods are reported, which must be worked off before business has a chance of reviving. Commercial failures continue heavy, and credit is being granted very cautiously. Automobile trade has been hard hit, largely, it is believed, because of over extension of sales on the instalment plan. American automobile dealers may take warning from this.

Building activity is good, and it is practically the only trade in which conditions are good. The very dullness in

other lines of trade is working as a corrective, for already imports are being curtailed. There are some signs of slight improvement in manufacturing production in Peru, and in Uruguay.

There has been a rush of South American loans to the New York market, Argentina floating a \$20,000,000 loan, and Uruguay a \$30,000,000 loan. Chile is reported to be making plans to develop the steel industry through a private corporation with government support. The Engineers' Corporation, a subsidiary of J. G. White Engineering Corporation, which has made a study of the possibilities, reports that the project is sound in every way and is assured of success. There is already a good market in Chile for steel products. Electric power can be developed at low cost to manufacture the steel products for this market, which is now served by imports.

### **VENEZUELA AN EXCEPTION**

An exception must be made to the general depression, for in Venezuela business has been good, and continues to be fair. The consul there reports, however, that merchants are in good condition but are extending too much credit. The big item which has kept conditions in Venezuela good during this depression period is the extensive program of public works which the country has embarked on. In spite of this program, President Gomez reported at the opening of

Congress on April 28, that there was a surplus of \$15,000,000 in the treasury, a foreign debt of only \$10,000,000, and an internal debt of \$7,000,000. If business can be kept conservative (which will be difficult according to the picture drawn by the consul in Venezuela) there is no reason for that country to suffer any depression just now.

#### GUATEMALA'S NEW BANKING LAW

A new banking law has been passed in Guatemala regulating all banking institutions, including the Central Bank of Guatemala and other banks of issue, mortgage and agricultural banks, and the conduct of foreign banks. Foreign banks, according to the law, are companies organized outside of the territory of the Republic of Guatemala. They may continue to transact business, after the passage of the law only if they obtain a license to do so from the Executive Power. The application for license must be accompanied by:

1. A copy of the articles of association of the bank.
2. A certificate proving that the bank is doing a banking business in its own country.
3. A copy of the bank's latest balance sheet.
4. A proof of the capital which is assigned to the branch operating in Venezuela.

5. A copy of the power of attorney authorizing the Venezuelan representative to transact business for the bank.

The business to be carried on by the bank is governed by the license issued to it by the Executive Power, which in most cases will continue the powers which the bank had before the passage of the law. The new Monetary and Banking Department of the Ministry of Finance will inspect the banks regularly, see that they publish monthly statements, and generally exercise the regulatory power over them exercised by the office of the Comptroller of the Currency in the United States.

## A New Edition of a Standard Work . . . . .

This book is a manual of the world's monetary systems; the foreign exchanges; the stamp duties on bills of exchange in foreign countries; the principal rules governing bills of exchange and promissory notes; foreign weights and measures; and bullion and exchange operations. The first edition of "Tate's Cambist" appeared in 1829 and the present edition is the twenty-seventh to be brought out under the imprint of Effingham Wilson. It has been entirely revised and re-written in order to cover the many changes in foreign exchange since the War.

### TATE'S Modern Cambist

*Edited by*

**WILLIAM F. SPALDING**

**Price \$10.00**

The London "Times" calls this edition the most "important reference book on monetary questions issued since the War," and says that it "should prove indispensable to every banker, foreign exchange dealer, financial house and to all those requiring an authoritative record of the world's present monetary systems and foreign exchanges."

#### *Some Press Opinions*

"In the hands of Mr. W. F. Spalding the preparation of this standard work, with the thoroughness to be expected from this author, has naturally necessitated the re-writing of much of the book, which is now up to date in every respect."—"Morning Post," December 28, 1925.

"Will be welcomed by all those whose business requires exact information regarding the money units of civilized countries. In the new edition Mr. Spalding has had to include countries never dreamt of before the War."—"Daily Telegraph," December 19, 1925.

*For sale by*

**The Bankers Magazine**

71 Murray Street, New York



## INTERNATIONAL BANKING NOTES

**T**HE twenty-seventh aggregate balance sheet of the Commonwealth Bank of Australia, Sydney, N. S. W., as of December 31, 1925, shows current deposits (with accrued interest and rebate) of £31,463,836, savings deposits (including accrued interest) of £43,875,693, bills discounted, loans and advances to customers, etc., of £10,098,071, and total resources of £139,380,432.

Net profits for the half-year ended December 31, 1925, were £976,335, which amount has been disposed of as follows:

|   | £       |
|---|---------|
| To reserve fund .....   | 125,704 |
| To national debt sinking fund .....   | 125,704 |
| To rural credits department reserve fund .....  | 18      |
| To rural credits department development fund .....  | 18      |
| To commonwealth treasury (being portion of profits of the note issue department) .....                    | 598,699 |
| To rural credits department capital account (being portion of profits of the note issue department) ..... | 126,190 |

THE half-yearly statement of the Punjab National Bank, Limited, Lahore, India, for the period ending December 31, 1925, showed total profits, after meeting all ordinary normal expenditures of Rs. 4,85,788. Adding to this the Rs. 51,226 brought forward from the previous half-year, the total sum available for appropriation amounts to Rs. 5,37,015. This amount has been disposed of as follows:

|   | Rs.      |
|---|----------|
| To final dividend at the rate of 15 per cent. per annum, free of income tax ..... | 2,28,225 |
| To final provision for income tax for 1925-26 .....                               | 44,039   |
| To contingent or reserve fund No. II .....  | 1,92,158 |
| To bonus for members of the staff ..  | 16,000   |
| Carried forward to next account ....  | 56,591   |

BANCO de Descuento, Guayaquil, Ecuador has published an interesting "dollar

exchange chart" showing in graphic form the fluctuations of Ecuador foreign exchange for the last three years. The bank also publishes booklets on "Exports to Ecuador" and "Why not securities from Ecuador?" as well as a provincial atlas and a full size map of Ecuador, any of which will be sent free upon request.

THE April issue of THE BANKERS MAGAZINE contained an article "Canada Can Resume Gold Payments" which was incorrectly attributed to Donald M. Martin. The article was written by and should have been credited to Donald M. Marvin, economist of the Royal Bank of Canada, Montreal.

THE Bank of Montreal, Montreal, Canada, now publishes a monthly summary of business conditions similar to the monthly letters issued by so many banks.

AN Italian-American group has purchased from the Banca Nazionale di Credito, Milan, Italy, a controlling interest in the Italian Discount and Trust Company, New York. The Italian Discount and Trust Company was organized in 1909, and its main office is at Broadway and Walker street, New York. The bank has branches in Harlem and the Bronx. Capital and surplus exceed \$1,600,000, and total deposits are over \$12,000,000.

The announcement of the purchase said that the Italian Discount and Trust Company and the Banca Nazionale di Credito have entered into a contract for the continuance of business with each other for a long period of years. Thus the Italian business of the bank will be continued, but in the future more attention will be given to the development of purely American business.

MENDELSSOHN and Company, bankers of Berlin, Germany, have resumed the serving of breakfast to their employes. For a good many years before the war, a breakfast was served to the bank employes, but this had to be given up during the second year of the war, due to the scarcity of food. Instead, the bank paid the employes extra "breakfast money." Recently it was announced that the breakfast money will continue to be a part of the employes' salary, and in addition the custom of serving a wholesome breakfast at 9 o'clock in the morning will be resumed.

THE United States World War Debt Funding Commission has almost completed its work. Agreements have been reached with Great Britain, Italy, Finland, Hungary, Lithuania, Poland, Belgium, Czechoslovakia, Estonia, Latvia, France, Jugo-Slavia, and Rumania. Only the Greek and the Russian debts remain unfunded. The agreements so far signed will bring to the United States Treasury \$7,389,914,000, with varying amounts of interest, over a period of sixty-two years.

THE Australian Bank of Commerce Limited, Sydney, N. S. W., has recently put out a very interesting folder on trade with Australia, which contains, among other matter, maps showing the principal travel routes to and from Australia, the City of Sydney, and its suburbs, as well as a harbor map of Sydney's harbor, Port Jackson. Statistical information concerning imports, exports, population, and other information concerning the Commonwealth of Australia, are also included.

CASE R. Howard, New York agent of Canadian Bank of Commerce, Toronto, Ontario, says that the Calgary region in Canada is in the midst of a speculative oil boom. "Everybody in the country is talking oil," says Mr. Howard.

"It looks as if the stage were set for an orgy of gambling if another well is brought in within the Turner Valley district." The Imperial Oil Company, Ltd., the Canadian subsidiary of the Standard Oil Company of New Jersey, originally developed the Turner Valley district, so successfully that the field has lately been invaded by all sorts of wildcat drillers.

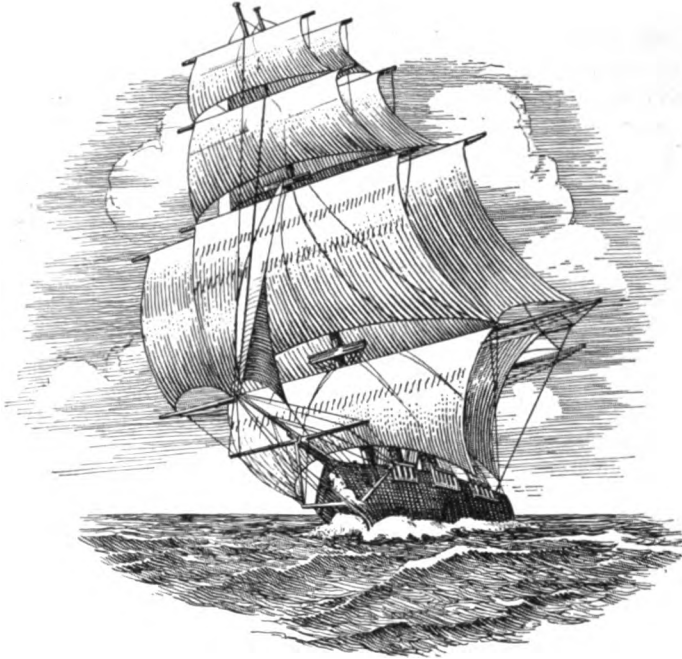
ERNEST G. Humphreys and Daniel B. Grant have been appointed joint managers of the Guaranty Trust Company in its London office.

John A. Griswold and H. Michoud have been appointed joint managers of the same company in its Paris office.

LORD Elphinstone, governor of the Bank of Scotland, Edinburgh, Scotland, reviewing business conditions in his annual address on April 6, 1926, said that "industrial conditions, which a year ago were far from satisfactory, have not improved, and today the outlook cannot be regarded too hopefully. The coal commission's report has, on the whole, been well received, but the practical solution of the problem will require forbearance and concessions from all parties closely connected with the trade. With our main industries under a cloud, it is clear that the nation cannot regain prosperity until we have a much fuller co-operation of employers and employes with the assurance that the interests of both, as well as those of consumers, will be best served by the maximum of production with the minimum of cost. This need not involve as some think, any reduction of real wages: on the contrary, there is no reason why we should not have full employment with a higher standard of living throughout the community."

It is again proposed in the British House of Commons to nationalize the Bank of England, but the bill receives little attention—just what it deserves.





ORIGINAL CHARTER 1928

## A Leading New England Bank

We endeavor constantly to imbue further our every transaction with the traditional cordiality which has existed so strongly between this bank and its correspondents and clients for nearly a century.

Corporations, executives, and individuals must have a dependable banking connection for their domestic and foreign business. The Atlantic National Bank of Boston goes one step further and incorporates into the whole the true spirit of banking service.

*Total Resources Over \$125,000,000*

THE  
ATLANTIC NATIONAL BANK  
OF BOSTON



## HOW BANKS ARE ADVERTISING

**I**N keeping with the growing trend toward presenting the services of a trust department through graphic illustration of some every day happening, the Old Colony Trust Company of Boston has recently been planning its publicity primarily with that idea in mind.

With this change in the theory of presentation has emerged an unusually attractive physical appearance which differs radically from the set-up generally used.

An effort has been made to obtain a distinctive style through employing a distinctive layout, border and signature. The illustrations used are selected to tie-up directly with the point or points made in the copy itself.

The reduced reproduction of the two large advertisements on this page shows typical examples of the new campaign. In each a particular problem of some one group of readers has been

shown. The first endeavor has been to gain attention and interest; the next to sell the thought that such situations can be handled by the trust department of the institution; and the last to have the prospect request the booklet, "Concerning Trusts and Wills." This publication describes the trust department's services and gives definite information about the proper conservation of estates and the creation of trusts.

NEW ENGLAND'S LARGEST TRUST COMPANY



**"I must make sure . . ."**

Have I provided the proper safeguards for my family's future? I often wonder if my estate will be administered and cared for as I have planned. What about those sudden contingencies that frequently arise—will they be settled as I would have them? It took me years of hard work and self-denial to build my estate, and by the terms of my will I have disposed of it rightly . . . but after that—what? I wouldn't want it to be wasted in a few years through my own failure to provide properly for its conservation. Is there something that I can do to give it greater protection? . . . I must make sure.

The mind of any man in this progressive age to be troubled by such thoughts. Perhaps you are so mind about your family's future. There is no better way to make sure than by naming a permanent and experienced company as executor and trustee.

The Trust Department of the Old Colony Trust Company has helped many men in similar positions to solve their problems. The personal attention, ready help and expert Trust Department relations, and its officers are always glad to talk over with you your future planning, the nature of your will and the nature of our services as Executor and Trustee.

*"We have prepared a booklet, 'Concerning Trusts and Wills,' which describes the subject in detail. Ask for Bulletin 18."*

TRUST DEPARTMENT  
**OLD COLONY TRUST COMPANY**  
 17 COURT STREET, BOSTON, MASSACHUSETTS  
 85 TEMPLE PLACE    107 SUMNER STREET    315 BOWLTON STREET

NEW ENGLAND'S LARGEST TRUST COMPANY



**"Interrupted Again . . ."**

A **IMPORTANT** business conference interrupted by . . . "Mrs. Carter to see you again, Sir." . . . a friend's widow worried over some detail of the estate her husband left in his care.

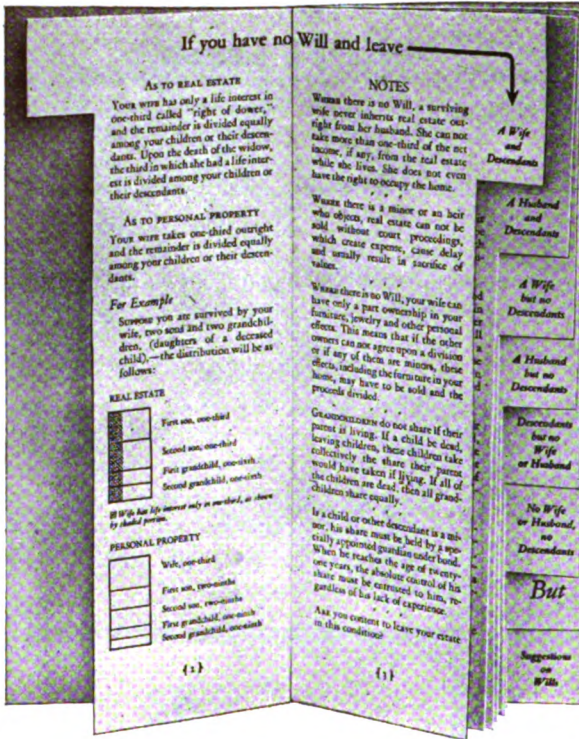
Few business men of today can spare the time necessary for a careful administration of an estate, or assume the duties that are more properly those of an experienced specialist. Could you, in all fairness, expect this service of your friend, thereby leaving to him and your heirs the many awkward situations that in all probability will develop from such an arrangement?

The Trust Department of the Old Colony Trust Company, as executor and trustee, has helped many men to avoid such occurrences. The personal attention, expert help and our Trust Department relations, and its officers are never too busy to talk over with you on your behalf the nature of our services as Executor and Trustee, rather than as in dealing with some family friend.

*"We have prepared a booklet, 'Concerning Trusts and Wills,' which describes the subject in detail. Ask for Bulletin 18."*

TRUST DEPARTMENT  
**OLD COLONY TRUST COMPANY**  
 17 COURT STREET, BOSTON, MASSACHUSETTS  
 85 TEMPLE PLACE    107 SUMNER STREET    315 BOWLTON STREET

Two newspaper advertisements, reduced from four columns wide, of a new campaign being run by the Old Colony Trust Company of Boston. This campaign, presenting trust service through graphic illustration of some every day happenings, is described in the accompanying article.



A new trust booklet published by the National City Bank of New York, containing a number of novel and unusual features among which is a thumb index which enables the reader to turn instantly to the page affecting his own case. The booklet is further described in the accompanying columns.

The advertisements, as shown, reduced from four columns wide, are run alternately with smaller ones of two column width. The latter are also intended to interest prospects through telling things about themselves. Typical headings are "A Woman's Inheritance — if not properly safeguarded" and "The Family Lawyer— is often appointed co-executor and co-trustee." The campaign has been planned to effect a regular appearance in selected newspapers of a

combination of these large to small advertisements.

Prospects are being systematically followed-up by direct mail and personal solicitation.

THE trust department of the National City Bank of New York has recently made an important contribution to trust publicity through the publication of a novel booklet entitled "If you leave no Will—What then?" The booklet, which gives very complete information as to

what happens to estates in cases where no will is left, contains a number of interesting and unusual features, among them a thumb index which enables the reader to turn instantly to the pages which apply to his own particular situation. Across the top of the first two pages of the booklet (as shown in the accompanying picture) is the inscription "If you have no will and leave—at the end of which a red arrow points to the tabs of the thumb index on which are various classifications such as: "A wife and descendants;" "A wife but no descendants;" "A husband but no descendants;" etc. The booklet when opened at any one of the various classifications present a double page spread explaining in concise form exactly what disposition will be made of an estate, coming under the classification to which reference is made, where no will is left. The booklet includes a number of comprehensive charts, and suggestions as to the making of a will. It is the first of a series of six pieces of direct mail material which the trust department of the National City is publishing for distribution to a carefully selected list of prospects.

THE selection of the program committee for the forthcoming convention of the Financial Advertisers' Association in Detroit, Mich., September 20-23, has been announced

by Carroll Ragan, president of the association and advertising manager of the United States Mortgage and Trust Company of New York, as follows:

Clinton F. Berry, assistant vice-president Union Trust Company of Detroit, chairman; H. G. Hodapp, National City Bank of New York; C. E. Bourne, advertising manager Royal Bank of Canada, Montreal; Paul T. Bollinger of Harris, Small & Company, Detroit; Ernest L. Colegrove, assistant trust officer Guaranty Trust Company of New York, chairman trust departmental; F. W. Ellsworth vice-president Hibernia Bank and Trust Company of New Orleans, chairman savings departmental; and C. H. Handerson, manager publicity department Union Trust Company of Cleveland, chairman commercial departmental.

"OUR Agency Service" is the title of a booklet published by the State Street Trust Company of Boston, Mass., outlining the various services relating to investments, property, etc., which the bank performs for its clients through what it calls its "agency service."

The State Street Trust lists, as some of the services which its agency service is prepared to perform, the following:

1. Receive on deposit stocks, bonds, mortgages, liens, leases, etc., subject at all times to the owner's order.

2. Collect coupons, interest, dividends, etc., and remit, disburse, or reinvest as the owner may direct.

3. Collect the principal of matured investments, crediting, disbursing, remitting or reinvesting as the owner may direct.


4. Endeavor to notify the owner of called bonds, conversion rights or subscription privileges, thus preventing loss of interest and often possible profit.

5. Endeavor to notify the owner of receiverships, committees, reorganizations, and like matters which concern curity holders.

6. Buy, sell, hold, transfer or deliver securities on written or telegraphic order.

7. On request, advise concerning present holdings or contemplated investments; and in all investment or financial matters.

8. On instruction, attend



## This Advertisement is About the Corn Exchange Bank —a Philadelphia Institution

**FIFTEEN TWENTY FIVE** each in amount and in variety but not the whole range covered. In some cases, but especially in this bank, the deposit, taken from Clearing House statements, are from \$1,000,000.

In 1929 they were \$47,000,000.  
In 1928 they were \$32,000,000.  
In 1919 they were \$20,000,000.

Five represents the breadth and volume of the bank's business. Average deposits each day are \$1,000,000. Total amount deposited for the year, \$244,400,000.

To properly handle the business requires 750 men and women.

For eight years ago from institution to the present, it has been covered by a variety bond to the amount of \$30,000,000. This bond was renewed last August to \$40,000,000.

As might be well to stop a busy bank works here, say loans to our customers by prompt delivery of secured loans and by financing of much of the detail (retail) work, allowing the bank to be used in almost any emergency needs. In various ways, the daily work comes along with dispatch.

During the year deposits by depositors, paid in, amounted \$2,991,000 making \$2,999,000,000.

1929 brought in our customers 16,102,000 checks on other banks totaling over \$2,150,000,000. Besides 248,700 drafts and notes through our midnight department. In one day the bank's checks on other banks were received and served in the United States and abroad, and the total number of items handled daily exceeds over 34,000.

This for meeting service to customers, both by our individual customers and by other institutions. Over 100 banks and their companies look to the department for the most service of affairs.

Loans, Discounts and Investments

No detailed loans on our books except a few charged off and covered at \$1 each.

Daily average amount of loans and investments on hands during the year \$ 53,000,000

Total loans made for year, time and demand 237,300,000

Loans per day—average 740,000

Discharged loans and all loans charged off during the year 30,000

Reserves during the year from discharged loans previously charged off 42,000

Reserves for year after all loans, reserves and sums on paid over 400,000

In addition, we have deposits paid in, and we get credited to our—

227,000  
27,000  
—sums that add up to pay all 1929 items. Federal Reserve 100.

This is a statement book carrying fine details. Our bond account is carried in a book that presents market value and would be sold at 25¢.

Earl Egan, Vice-President  
Bank of Chester and Second Street, served in 1924-1929.

Made in 1916-1917 Chestnut Street, served at \$1, 307,000, all alternate depositors for last charged off monthly.

Capital, Surplus and Profits

The capital stock of this bank is \$2,200,000  
Surplus and profits, since 1925 \$6,742,000

In 1920 Capital was \$2,000,000; Surplus and Profits ..... \$4,675,000

In 1915 Capital was \$1,800,000; Surplus and Profits ..... \$2,148,000

In 1910 Capital was \$1,600,000; Surplus and Profits ..... \$1,512,000

In 1905 Capital was \$1,000,000. A stockholder buying one share in 1905 paid \$10. In May, 1929, he received the right to subscribe for one additional share at \$10. In 1919 he received another right to subscribe for one share at \$20 each. A total cost for four shares of \$60. Market value of these four shares at month of last sale was \$215. Dividend paid in the amount of \$274. Dividends paid in 1929 were 24%.

Any bank that accepts deposits and pays for money that a modern bank needs to give to the individual special services, and to endeavor to attract such banking work. The developments required in our services are both added one department after another: Trust Department; First City Building; Loan Department; and other departments, in whatever branch needed, the most dependable service.

We make every endeavor, for the Corn Exchange Bank, to be a comprehensive body of time and money, at all such day the perfection of service. We are proud of our achievements and get forward with confidence, 1929, being in a better position than ever before for the Corn Exchange Bank and also for the City of Philadelphia.

*Redford*  
President

### CORN EXCHANGE NATIONAL BANK

Chester at 24 St. PHILADELPHIA 1510-12 Chestnut St.

This Philadelphia bank, in a newspaper advertisement, presents a very comprehensive picture of its activities and its resources in a compact, easily understandable and very informative story, over the signature of its president.



**When  
a door was taken into court**

*It may have been a wife, sporting in the dignity of the court, to see the door—no longer, with the very presence of His Honor, Judge of the Probate Court. For a man, —based by his lawyer, as well as legal subtlety—crisis on paper, parchment or steel, that would. He covered his wife on his door. There was nothing to do but to have the door removed from its hinges and brought into court for probate.*

**SOME men do queer things about leaving their estates.** So real provisions are more frequent than most people might imagine.

But the queerest fact about wills, we believe, is that many men, otherwise sound in their judgment, fail to take the simple, necessary, unexpensive steps that will safeguard after death what's or worth they have acquired. They either make no will at all, so that the state comes in and often turns plans topsy turvy, or else they omit the provisions which keep an estate from dividing.

That is why the average estate, seven years after the demise of its creator, remains open then and by way of the unwise investment and speculation route—or through lack of business experience and ability, or even through dishonesty.

We call these plain facts to your attention because there are many men who are glad to act once the facts are explained. A Seaboard Trust opens a line of action for you. It offers real protection for your family—lasting protection. It can be made to operate during your life, or after your death, of both. It may be revocable or irrevocable. You can thus be enabled to provide for the distribution of the income and principal of your estate with the same ability and foresight which you displayed in building it.

The Seaboard has published a Guide-Chart and Booklet which simplifies the entire subject of estate protection. All the fundamental, workable principles, which we recommend for safeguarding money during life and after death, have been grouped and simplified into 7 practical plans.

The Guide-Chart represents an analysis of thousands of cases. It can hardly fail to suggest an advantageous arrangement of your affairs. You can readily secure a copy by communicating with any of our offices.

\*For a Guide-Chart to "Safety" Insurance, see "Page 108."

**TRUST DEPARTMENT**  
**THE SEABOARD NATIONAL BANK**  
**(OF THE CITY OF NEW YORK)**  
115 Broadway      Broad and Beaver Streets      24 East 43rd Street



*This is from Bankers Magazine, the Chart suggests possible answers to the following—Do:*

If your business will require ready funds and require attention in case of death—what then?

If you still serve no more life insurance—what then?

If your time is now crowded for careful, personal management of your property—what then?

If your wife is not experienced in business matters—what then?

If your dependent daughter is unable to manage—what then?

If inheritance taxes might force your executor to sell the cream of your estate—what then?

If your aim is to succeed in your business—what then?

Every business man should have a copy of this booklet. Max we mail you a copy?

The human interest value of the unusual is capitalized in the illustration and copy of this trust advertisement which features an incident in which a door, with a will carved on it, was brought into court for probate.

THE travel bureau of the Mellon National Bank of Pittsburgh, Pa., has recently published a well printed booklet entitled "Old World Travel," with strikingly effective illustrations in colors. The introductory copy of the booklet reads, in part:

"An even busier year than 1925 is anticipated by the transatlantic steamship companies this season. Bookings are being made now and all of the leading companies report large numbers of reservations for the summer months, not only on the more palatial liners but on the cabin ships as well.

"Every effort is being made this year to attract patronage from the educational and professional classes. Quarters in the third cabins on the fast liners are reserved particularly for such persons on the various eastward trips early in the summer and returning in the later weeks of the season. Those taking advantage of the special rates for third cabin accommodations may feel assured that their traveling companions will be congenial.

"As agents for all leading steamship lines we can arrange passage—both outward and returning—on the most desirable lines. During the tourist season the steamers are usually fully booked months before sailing, hence the necessity of making arrangements well in advance. Full particulars of the rates

to all transfers of stocks or registered bonds.

9. Pay instalments on subscriptions to new issues of stocks or bonds.

10. Attend to collection of rents, inspection, repairs, insurance, tax-payments, renting or sale in connection with real estate.

11. Keep in safety insurance policies, wills and valuable documents, and on instruction pay premiums on insurance, taxes, and any other specified items.

12. Submit regular and detailed statements of all receipts and disbursements.

and sailings will gladly be furnished on application.

"If you are contemplating a trip abroad to any part of the world and are interested in our system of Inclusive Independent Travel we shall be glad to submit, without cost to yourself, an estimate of the expenses of such a trip based on your individual requirements.

"In addition to the arrangements for individual travel we also are in position to make your arrangements for any of the well-known Cruises and Tours with Escort—the acme of convenience and luxury in pleasure travel."

THE investment banking house of Halsey, Stuart & Co., has recently published an unusually comprehensive and well planned booklet entitled "Looking Ahead Financially" which is well illustrated and which contains a number of very complete and easily understandable charts and tables showing the cumulative results of the investment of specified monthly payments over definite periods of time. The introduction to the booklet reads:

It is the purpose of this book to visualize the factor of age in the financial pattern of a lifetime. Vagueness of such a picture in the minds of many, is a common obstacle to well-directed financial progress. Especially younger men, reaching the period of their best earning

## WHO'S WHO IN BANK ADVERTISING



W. J. PARHAM, JR.  
Cashier Merchants Bank, Mobile, Ala.

**MR. PARHAM** has been with the Merchants Bank for over twenty of its twenty-five years of existence, and has seen the bank's resources grow from less than \$1,000,000 to almost \$14,000,000. The advertising of the Merchants is under his supervision, and a substantial part of his appropriation is used each year to advertise the Port of Mobile. This "Port" copy has attracted wide attention, and gained much favorable comment for the bank's advertising displays at the last two conventions of the Financial Advertisers' Association, of which organization Mr. Parham is a member and an active supporter. He is director of advertising and publicity for the Chamber of Commerce of Mobile, and is active in the work of the American Institute of Banking in that city. He is a member of the Advertising Clubs of the World, the Community Advertisers' Association, and is a group vice-president of the Alabama Bankers Association.

# The 7 BASICS Tell You What to Expect

- |                 |
|-----------------|
| 1 Allocation    |
| 2 Liquidity     |
| 3 Maturity      |
| 4 Marketability |
| 5 Dispersion    |
| 6 Income Flow   |
| 7 Vigilance     |

Unless your investment structure takes into account every one of the Seven "Basics" and employs them in their proper proportion, you are not getting the income, the safety, the usefulness which you should expect from your holdings. The Seven Basics tell you what to expect... their application insures attainment of your definite aims.

What are the Seven Basics? Merely the boiled-down, tabulated, analyzed experience of thousands of investors whose lists we have submitted to an audit. Simply the practical, adaptable rules drawn from those studies, showing just how much weight should be attached to Marketability, how much to Allocation of holdings, how much to each of the Seven elements.

Thirty-seven years of managing thousands of substantial investment accounts, from \$2,000 and up, has enabled us to perfect methods by which the Seven Basics can be easily applied to insure sound and remunerative investing for you. If you suspect that you are not getting all you might get from your holdings, we will gladly furnish you the basis for a check-up by sending you our booklet "DIVERSIFICATION AND VIGILANCE." Telephone or write for your copy.



**A. B. Leach & Co., Inc.**

62 Cedar Street, New York

*The Seven Basics of Investment are the practical means of increasing the safety, a higher and surer source of substantial investment income.*

One of the first of a series of advertisements constituting part of a wide newspaper and direct mail campaign which is being run by a New York investment banking house

power, need to realize their opportunities to built out of current income, an accumulation of property to provide permanent income. How assuredly this may be done through having a financial objective and employing systematic investment to attain it, is outlined for individual application.

THE Citizens Savings Bank of New York recently put on a newspaper campaign in twenty-two foreign language newspapers which resulted in its adding to its books 2797 new depositors, practically all

of them foreigners, in six weeks' time. The copy emphasized not only the need for thrift, but the advantages and opportunities which are opened to the depositor through the medium of a savings account. As an added stimulus to the opening of accounts the bank offered to give \$1 to each depositor who would agree to deposit regularly toward the definite objective of at least \$50 by the end of the year. The cost of the entire campaign, exclusive of the \$1 gifts, was less than \$5000, making an actual cost of about \$1.50

per account. The bank says that it feels confident, from the way in which the new accounts have grown since they were opened, that very few, if any, of the new depositors will fail to reach their objective by the end of 1926.

"DIVERSIFICATION and Vigilance" is the title of an interesting and well-printed booklet published by the investment banking house of A. B. Leach & Co. The copy in the booklet treats of the fundamental elements in investment conservation, and is arranged in seven main divisions, under which are discussed the subjects of allocation, distribution, maturities, marketability, dispersion, income flow and vigilance. A. B. Leach & Co. has also recently published a series of attractive six-page investment folders, printed in two colors. Among these folders are the following: "Two Heirs—who started equal," "A Larger Income that Costs no More," and "A Fortune—that was never collected."

"THE Art of Saving" is the title of a booklet published by the Fidelity Trust Company of Philadelphia. The booklet has a few introductory paragraphs, and the main portion of the copy is divided into three sections which are headed, respectively, "The Duty to Save," "How to Save," and "Where to Keep Savings."

# Bank of British North America,

LONDON.

**CAPITAL, £1,000,000 STERLING.**

INCORPORATED BY ROYAL CHARTER.

*Court of Directors.*—Henry Barnewall, Esq.; Thomas H. Brooking, Esq.; Sir Robt. Campbell, Bart.; Robt. Carter, Esq.; W. R. Chapman, Esq.; William Chapman, Esq.; James John Cummins, Esq.; James Dowie, Esq.; Oliver Farrer, Esq.; Alexander Gillespie, Esq.; Sir A. Pellet Green, R. N.; John Stewart, Esq.; *Secretary.*—George D. B. Attwood, Esq.

*Inspector of Branches.*—Thomas Paton, Esq. *Agents in New York.*—Messrs. Richard Bell and Henry E. Ransom *Branches of the B. B. N. A.*—Quebec, Montreal, Toronto, Kingston, Hamilton, Canada; Halifax, Nova Scotia; St. John, New Brunswick; St. John's, Newfoundland. *Agencies in Canada.*—Bytown, Brantford, Dundas.

Drafts on the B. B. N. A., London, and the Branches above; on the Branches of the Provincial Bank of Ireland; and National Bank of Scotland.

Bills of Exchange purchased and collected, and credits negotiated with England, Ireland, Scotland, and the British Provinces of North America, by Richard Bell and H. E. Ransom, Agents, Jauncey Court, 43 Wall Street, New York.

August, 1851.

# Commercial Bank of the Midland District,

CANADA.

**CAPITAL, £500,000. — CURRENCY, \$2,000,000.**

INCORPORATED BY ACT OF PARLIAMENT.

*BOARD OF DIRECTORS:* HON. JOHN HAMILTON, PRESIDENT; HON. JOHN MACAULAY, VICE-PRESIDENT. DOUGLASS PRENTISS, ESQ.; JOHN MACPHERSON, ESQ.; HON. JOHN A. MACDONALD; JOHN MOWAT, ESQ.; JOHN FRASER, ESQ.; HON. J. H. CAMERON; JOSEPH BRUCE, ESQ.; WILLIAM LOGIE, ESQ.

HEAD OFFICE: KINGSTON, CANADA WEST. C. S. ROSS, CASHIER.

*Branches and Agencies.*—Montreal, Prescott, Perth, Brockville, Picton, Belleville, Port Hope, Oshawa, Toronto, Barrie, Hamilton, London, St. Catharine's, Galt, Peterborough.

*Agent in New York.*—The Merchants' Bank.

Bills of Exchange and Promissory Notes collected at all the above points, and at every other town in Canada where there is a Bank or Bank Agent.

*Drafts issued and credits negotiated on the United States, London, Edinburgh, Glasgow, Dublin, &c.*



*Bankers' Magazine Advertising Sheet.*

JAMES GILMORE.

JAMES H. BROTHERTON.

**GILMORE & BROTHERTON,  
BANKERS AND DEALERS IN EXCHANGE,  
CINCINNATI,**

Make Collections in the South and West generally, and remit proceeds promptly in Sight Drafts on the East; furnish New Orleans funds at all times, in sums to suit.

REFERENCES:—Shoe & Leather Dealers' Bank, Boston; American Exchange Bank, New York; Mercantile Bank, New York; Beebe & Co., New York; Corning & Co., New York; N. O. Canal and Banking Co., New Orleans; Benoist, Shaw & Co., New Orleans; J. Corning & Co., New Orleans; Medcalf, Spicer & Co., Baltimore; Drexel & Co., Philadelphia.

May, 1852.

Geo. H. Loker.

Edw. M. Renick.

Alex. Peterson, Jr.

**LOKER, RENICK & CO.,  
BANKERS AND EXCHANGE DEALERS,  
No. 132 MAIN STREET,  
ST. LOUIS, MISSOURI,**

Will buy and sell all kinds of Gold, Specie, and Uncurrent Bank Notes, at best rates. Checks on all the principal cities in the United States for sale. Notes, Drafts, and Acceptances collected and promptly remitted for when paid, at current rates of exchange.

~~☞~~ No commissions charged for collecting.

May, 1852.

**M'CREA & BELL, Milwaukee; M'CREA, BELL & ULLMAN, Racine; M'CREA, BELL & Co.,  
Janesville, Wis.**

**BANKING AND COLLECTION HOUSES.**

Particular attention given to Collections, and proceeds promptly remitted at the current rate of exchange, without charge for commission.

REFERENCES:—E. W. Clark, Dodge & Co., New York; John Thompson, New York; Chubb Brothers, Washington, D. C.; E. W. Clark & Bros., St. Louis; J. W. Clark & Co., Boston; E. W. Clark & Co., Philadelphia; James Robb & Co., New Orleans; Wm. Williams, Esq., Cash'r, Buffalo.  
June, 1852—1 yr.

**J. W. CLARK & CO.,  
BANKERS AND DEALERS IN EXCHANGE.  
No. 24 State Street, Boston.**

Having Branches and Correspondents in all the principal cities of the Union, we are enabled to purchase Funds and make Collections on the most favorable terms; also to furnish Drafts in sums to suit. Stocks of every description bought and sold.

E. W. CLARK & Co, Philadelphia.  
E. W. CLARK, DODGE & Co., New York.  
E. W. CLARK & BROTHERS, St. Louis.  
E. W. CLARK, BROS. & Co., Burlington, Iowa.  
CLARK'S EXCHANGE BANK, Springfield, Ill.

J. W. CLARK,  
L. C. CLARK,  
A. W. SPENCER.

How banks advertised seventy-four years ago. The above advertising pages are

**DYER PEARL & CO.,  
EXCHANGE AND BANKING HOUSE,  
NASHVILLE, TENNESSEE,**

(THE OLDEST ESTABLISHED HOUSE IN THE STATE.)

Pay particular attention to Collections in the South and West, and all business in their line will receive prompt and punctual attention.

REFERS TO AMERICAN EXCHANGE BANK NEW YORK.  
BANK OF PENNSYLVANIA, PHILADELPHIA.  
J. W. CLARK & CO., BOSTON.

*November, 1852.*

**Exchange & Banking House.**

**E. HUTCHINGS.**

**JNO. C. HILTON.**

**HUTCHINGS & CO.,**

**No. 457 MAIN STREET, LOUISVILLE, KY.**

Particular attention will be paid to the collection of Notes and Drafts; remittances always made for them as may be directed on DAY OF PAYMENT. All collections payable in this city, FREE OF CHARGE. LAND WARRANTS of 40, 80, and 160 acres purchased and sold on the most favorable terms.

PROMPT RETURNS made for cash remittances, at our lowest rate of exchange.

*Checks on the various parts of Europe furnished in sums to suit, on favorable terms.*

**Exchange and Banking House, and Land Agency,  
OF  
GREEN & STONE,  
MUSCATINE AND IOWA CITY, IOWA.**

**Notes and Bills collected, and proceeds remitted to any part of the United States.**

**LAND WARRANTS BOUGHT, SOLD, AND LOCATED.**

REFERS TO MESSRS. PAGE & BACON, St. LOUIS: AMERICAN EXCHANGE BANK, NEW YORK.

**WILLIS & CO.,  
BANKERS AND DEALERS IN EXCHANGE,  
Coin, and Gold Dust,**

**No. 25 STATE STREET, BOSTON.**

Drafts on New York, Philadelphia, Baltimore, Albany, Richmond. St. Louis, Cincinnati, Pittsburgh, discounted and for sale in sums to suit, by

**WILLIS & Co., Bankers, 25 State Street.**

**EXCHANGE AND BANKING HOUSE**  
— OF —  
**A. WILKINS & CO., No. 75 FOURTH STREET,**  
OPPOSITE THE BANK OF PITTSBURGH,  
**PITTSBURGH, PENN.**

REFERENCE—Messrs. CARPENTER, & VERMILYE, New York.

A. W. & Co. transact the various branches of Exchange, Stock, Bank Note, and Bullion Brokerage, giving particular attention to the Collection of Notes and Drafts and also to the purchase and sale of Stocks on Commission.

Persons desiring quotations of Stocks in the Pittsburgh market, will be furnished on application; and all communications by mail shall receive prompt attention.

July, 1852.

**Banking House of Burgoyne & Co.,**  
**SAN FRANCISCO, CALIFORNIA.**

ESTABLISHED JUNE 5, 1849.

EXCHANGE ON  
LONDON, PARIS, VALPARAISO, AND ON THE PRINCIPAL CITIES  
OF THE UNITED STATES.

**BURGOYNE & PLUME, BANKERS,**  
**No. 27 Wall Street, New York.**

May, 1852.

**Bankers and Dealers in Exchange.**

**R. JOHNSTON & CO.,**  
**No. 26 SOUTH THIRD STREET,**  
**PHILADELPHIA.**

Having correspondents in all the accessible locations in the United States, we are enabled to furnish Exchange and make Collections on satisfactory terms. Also, Investments made, by order or otherwise. Stocks, Loans, &c, bought and sold at the Board of Brokers. The Collection of Drafts, Notes, &c, particularly attended to.

May, 1852.

**W. & H. McKim,**

WILLIAM MCKIM.

HASLETT MCKIM.

**BANKERS, No. 56 SOUTH GAY STREET,**  
**BALTIMORE, MD.,**

Receive Deposits on Interest or Current Account; Make Collections; Discount Notes and Bills of Exchange; Deal in Foreign Exchange, and Transact Business connected with Banking generally.

July, 1852—6 mos.

# Theodore Tefft Weldon



**T**HE NORTHERN TRUST COMPANY of Chicago has for several years attracted the attention of bankers and bank advertising men throughout the country by the quality of its advertising and business-building plans.

Behind its advertising lay a keen mentality and a serious intent that brought the results that sound advertising always brings. This advertising was planned and written by Theodore Tefft Weldon, for five years its advertising manager.

On May 1st Mr. Weldon joined WM. ELLIOTT GRAVES, INC., as vice-president. In accepting his resignation from the bank one of its officers said, "Our consolation is that

your work will now be at the service of hundreds of bankers throughout the country. Your abilities and experience in this highly specialized field should direct the advertising efforts of more than one bank."

GRAVES SERVICE believes that the banker is coming, more and more, to realize the vast potentialities of sound advertising and sales methods for his bank. He is demanding today that his advertising be handled by men of tested ability, character, and proved experience in the special business of banking. In offering the services of Mr. Weldon as advisor and counsellor to the American Banker, we believe we are rendering a conspicuous service.

WM. ELLIOTT GRAVES, INC., CHICAGO

Way back in 1920—WILLIAM ELLIOTT GRAVES said—"The fact that the banker is a less experienced advertiser than the merchant may tempt the individual or the agency that is serving him to give him advice and plans that are not fundamental nor permanently constructive. It is difficult continuously to swim against your client's preconceived notions. It is easier to profit by his inexperience. But you must set yourself firmly against such compromise. Build as soundly for each bank as if it were your own personal institution. That's the standard every man who enters this organization must strive for."

# GRAVES SERVICE

# First time in bank machine history !



- guaranteed replacement value*
- 5-year service agreement*

**O**NLY a machine of the mechanical simplicity of the Dalton "MULTIPLEX" Bank Ledger Posting and Statement Machine could offer such a guarantee.

These other advantages, too :

- (1) Extreme quietness of operation
- (2) 25 per cent greater operating speed
- (3) One-hand control of machine
- (4) Less strain on operator—fewer "fatigue errors"

Phone or write the nearby Dalton Sales Agent for a demonstration—see how this new Dalton bank model can save you time and money every day !

**THE DALTON ADDING MACHINE SALES COMPANY**  
Cincinnati, Ohio, U. S. A.

Agents for Canada : The United Typewriter Co., Toronto and Branches  
Sales Agencies in all the Principal Cities of the World

# *Dalton*

*Adding-Calculating  
Bookkeeping . Statement  
and "Cash Register" Machines*



## A. B. A. COUNCIL REPORTS PROGRESS AT SPRING MEETING

**H**IGH records of activity in the work and progress of the American Bankers Association were indicated in the reports of its various divisions, sections, commissions and committees presented at the annual spring meeting of the executive council at Pinehurst, N. C., May 3 to 6. About 350 members of the council with their guests registered at the meeting, which was presided over by President Oscar Wells.

Mr. Wells reported that the administrative committee recommended an amendment of the constitution to provide for membership upon the committee of the executive heads of the American Institute of Banking, Clearing House and State Secretaries sections, and this was approved by the council.

F. N. Shepherd, executive manager, said in making his report: "The operating cost of the association during the first seven months of the present fiscal year has been approximately \$6000 less per month than last year without any decrease in the efficiency of the organization."

The general counsel, Thomas B. Paton reviewed the work of his office in regard to Federal legislation, especially in connection with the new revenue bill, the McFadden Bill with the Hull amendments and the bill amending the section of the United States Statutes relating to state taxation of national banks.

President Bruce Baird of the American Institute of Banking said: "During the year we have organized sixteen new chapters and sixteen study groups. The total number of chapters today is 186, and of study groups twenty-three. Total membership of the institute is 57,451. Last October the institute pledged itself for \$25,000 for the American Bankers Association Educational Endowment:

\$20,000 has already been turned over to the trustees, we have in hand \$2500 and the other \$2500 has been pledged."

Stephen I. Miller, educational director of the institute, said: "During the last three years we have increased the enrollment in classes by 12,000, we have increased the number of graduates per year by 300, and we have brought the classes to a standard requirement of forty-two hours. We have added two textbooks to the institute series, have revised three textbooks and have added two outlines.

Alexander Dunbar, president of the Clearing House Section, stressed the work of the section in developing a national viewpoint and a spirit of cooperation among banks throughout the country. His report told of the work of the section in encouraging analysis of accounts by banks to determine losses and provide remedies, the promotion of check standardization, the organization of new clearing house associations and the installation of the clearing house examiner systems and credit bureaus in both cities and counties. He pointed out that twenty new clearing house associations, ten new city credit bureaus and seven new county credit bureaus were organized during the year.

The report of the National Bank Division, presented by President W. C. Wilkinson told of the protests filed with the United States Treasury in reference to its plans for a simplified currency by which bills would be made smaller in size and with fewer variations in design. The original plans contemplated making the general currency different in size from national bank notes. The division insisted, he said, that only one size of currency be issued, that national bank currency shall not be eliminated, that the

distinctive marks now carried on national bank notes shall not be omitted and that national banks shall not be charged with the cost of producing new plates which will be made necessary by the change in the size of the notes. Mr. Wilkinson expressed the belief that a harmonious solution to this situation would be developed.

The Savings Bank Division report was next presented by President Thomas F. Wallace. He spoke particularly of the three regional conferences held during the year. A remarkable unanimity of opinion, he said, was developed at these meetings as to the duties and responsibilities of the savings banks. He summarized these opinions as being to the effect that the duty of the savings banker goes beyond educating the public to save and should include educating them how to invest and escape unwise investments; that the abuse of instalment buying especially for luxuries and non-essentials is a menace that impedes saving; that co-operation should be extended to every thrift agency truly interested in the conservation of the savings of the country; that higher standards of competency should be required of those engaged in the banking business; and that savings bankers should awaken to the danger to banks and depositors alike of allowing any other institution to receive savings deposits unless it is subject to the same laws and regulations that bankers have learned are absolutely necessary.

Grant McPherrin, president of the State Bank Division, emphasized the growth of co-operation between all divisions and sections of the association. He went on to call attention to the work of the public service committee of his division, under the direction of its chairman, M. H. Malott, to develop as a general practice that a financial statement shall be required of all borrowers having a line of credit of \$500 or more. He said that a statement on the subject had been submitted to the state bank commissioners and the replies indicated that a forward step in good banking would result.

The Trust Company Division report was presented by Francis H. Sisson, president, who said in part: "The Trust Company Division is in the midst of one of its most active years of service. We are beginning to see in many directions tangible results of our activities, both past and present.

"Trust companies have been in existence a little over 100 years. Twenty-five years ago there were but 300 trust companies with total banking resources of \$1,500,000,000. Today there are 2700 companies with resources of \$18,000,000,000, showing a growth and development during this quarter century greater than that in all seventy-five preceding years. Through the work of the Trust Company Division, and the local trust company, information about trust service is constantly being disseminated throughout the entire country.

John H. Puelicher, chairman of the educational foundation trustees said that there had been pledged up to the present time \$500,875, and paid in \$227,645. There are also signed pledges easily collectable at any time of \$56,333. By this, and the balance of the pledges from the American Bankers Association and the American Institute of Banking, the cash receipts amounting to \$227,645 may be augmented safely to a total of \$315,604, he said and added:

"The trustees have discovered early in the undertaking of our duties that it is considerably easier to raise money than to give it away intelligently. We are, therefore, proceeding very slowly and carefully. We have given consideration to the problem of how to invest the funds. We have given the scholarship problem a great deal of thought. We have been in touch with professional educators in practically every college of the country. The consensus of opinion has been that we should not have a great number of gift scholarships. The majority of those whom we have consulted thus far lean to the opinion that our scholarships should go in the shape of loan scholarships to seniors."



## ALL KINDS OF MONEY

**N**O banker needs to be told what money is. It is his stock in trade, the commodity he deals in. To economists, money is a medium of exchange, a storehouse of purchasing power. To the street urchin, "money is what the other duffer takes for what you want." But to Farran Zerbe of Tyrone, Pa., former president of the American Numismatic Association and a member of the United States Assay Commission, who recently had on exhibition at the Park Avenue branch of the Chase National Bank, New York, his collection of coins and money, "money is a documentary record of the progress of man and the stages of civilization. Coins are imperishable metal documents and types of art indicative of the refinement and energy of the nations producing them."

Money, therefore, is not a natural commodity, but is artificial, man-made. As men changed their valuations of certain articles, the forms of money have changed. The earliest records of money are the clay tablets of Babylonia and Assyria, recording promises to pay in about the year 3000 B. C. Later came the medallic gems of the first period of art in Greece; portrait coins of the Caesars of Rome; "the widow's mite" and the shekel of Bible times; crude coins showing the degenerative influence of the Dark Ages; up to the most recent issues of paper money of the United States and those of the new countries resulting from the World War.

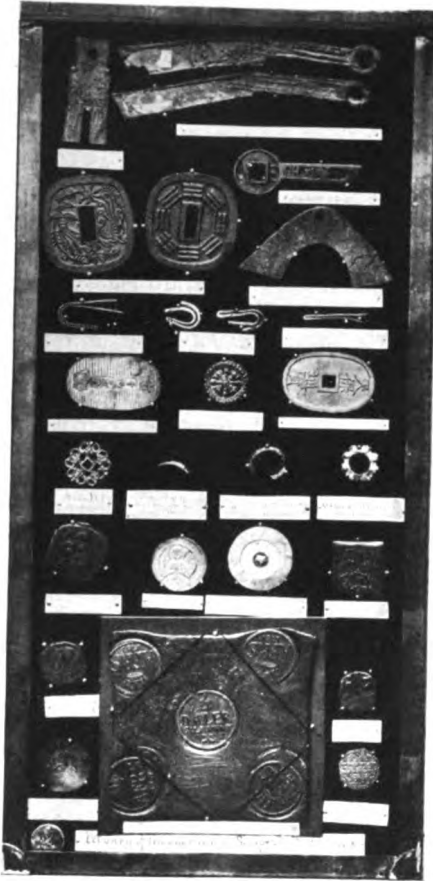
But even before the idea of metallic money was hit upon, other mediums of exchange were used. The word "pecuniary" comes from the Latin "pecus," for cattle were once used for money in Rome. Commodities of various kinds have been used at various times for money, such as: the glass money of Egypt, the tea money of Tibet, the silk money of Mongolia, the salt money of

Siberia, the cheese money of China, the porcelain and bullet money of Siam, the hat money of Penang, the razor money of ancient China, the cloth money of Celebes, the stone and tobacco money of the South Seas, the leather money of Austria, the amber money of Lithuania, the platinum coins of Russia, the wampum money of the Indians, the fish-hook money of Alaska, the wooden money of the Arctic, the tobacco money of Virginia, and the nail money of New England. In other countries, rubber, gun-metal, glue, lead, paste, and teeth have been used as money.

The metallic money appeared first as rings and ornaments, for they were a form of wealth and could be exchanged for other goods. Then came the weights of various metals, gold and silver becoming the most common because of their high value and small bulk. More modern states substituted stamped metal for the weights, as more convenient, from which evolved our present minted coins. In Mr. Zerbe's collection, the variation of human opinion as to desirable sizes of coins was illustrated by placing side by side the largest and smallest coins in the world. The largest coin is the eight daler piece of Sweden. It is a square piece of copper, 12 by 24 inches, weighing thirty-two pounds, and worth about \$8. It was used in Sweden for about 150 years down to 1780. The smallest coin is the colpata of southern India. It is a gold piece of about the size of two pin heads, and weighs one grain, being worth approximately 4 cents. It was coined about the year 1800.

The coin most interesting to Americans is, of course, the "Pine Tree" shilling about which we read in our history books in school, which was the coin in common use in the Colonies. The various odd 3 cent pieces, and the recent





The coin shaped like a human body at the top was used in ancient China to purchase clothing. The knife or razor shaped coins were used to purchase implements. These knife coins became shorter and shorter, like the key below them, until they finally were only round coins with holes in the center for stringing, shown just below the key. The big plate at the bottom of the picture is the Swedish half daler. It is hardly suitable for pocket money, for it weighs over six pounds. These are a few of the curiosities recently on exhibition at the Park Avenue branch of the Chase National Bank, New York.

memorial half dollars are all in the collection.

Not less interesting is the collection of paper money. Foremost in this collection is the Chinese note 6 by 12 inches for one string of cash. It is the first known

piece of paper money, and is also believed to be the earliest known piece of printing. It was printed in China during the Ming dynasty, in about 1375 A. D. It is a far cry from this to the new \$5 Lincoln-head certificate of the United States, which has not been released yet for general circulation. In between these two are a great variety of notes of all kinds. An Eighteenth Century check, made out in Philadelphia mentioned no bank, but read:

"Cashier of the bank.

Please pay to the order of," etc.

This seems absurd. But it is not, for in those days there was but one bank in Philadelphia—the Bank of North America, so there could be no mistake about whom the check was addressed to.

There were in the collection numerous other specimens of the continental and colonial paper money which at one time became so depreciated that people papered their rooms and made masquerade costumes with it. In the effort to stabilize the purchasing power of money, the State of Massachusetts Bay issued in 1780 a note promising to "Pay 250 pounds on the first day of March, both principal and interest to be paid in the then current money of the said state in a greater or less sum according as 5 bushels of corn, 68 and 4/7th pounds of a part of beef, 10 pounds of sheep's wool and 16 pounds of sole leather shall then cost, more or less than 130 pounds current money at the then current prices of said articles, the same being 32 times and 1/2 what the same quantities of the same articles would cost at the prices affixed to them in a law of this State in the year of our Lord 1777"

One note carries the intriguing line "Printed by B. Franklin, printer." Most of the early notes promised payment in "Spanish milled dollars," for at that time the United States had not adopted any standard coin.

Following these are the greenbacks

and "shin plasters" (the fractional currency, so called because of its diminutive size) used during the Civil War. There were several specimens of Confederate currency, one note printed on one side only. While it was being printed in Richmond, the city was captured by Union troops, and the sheet was left unfinished and uncut.

There were notes of various state banks printed in German, some partly in French and English, and some in Spanish, during the period of wildcat banking. And at times when money was scarce or depreciating rapidly in value, producers have issued scrip payable only in their products or services, such as one note which read:

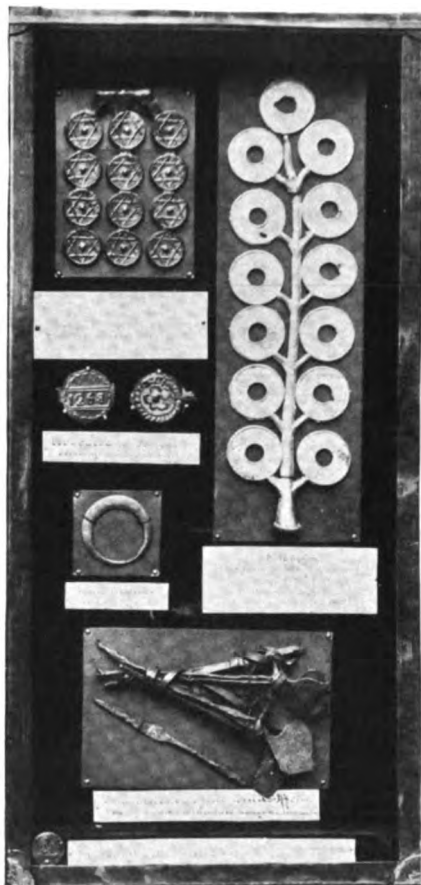
"This card is good for 25 cents in dentistry," and another: "one shave 10 cents . . . . . Barber."

Among the modern issues of paper money were the tin foil notes used in Germany during the World War.

A few of the curiosities in the collection were an \$11 bill; a \$360 receipt for a negro slave; John Law's Mississippi Bubble money; some of the "blood money" paid to the Hessians for fighting against the American colonists; the \$50 slugs of California; beaver coins of Oregon; Mormon issues of Utah; a note with a \$5 face and a \$1 back; etc., etc.

There were notes of checks on the earliest banks, signed by Washington, Lincoln, and other names well known in American history. One of the strangest checks was for half a cent, which had been deposited in a bank in 1912, as was evidenced by deposit slip and an entry in the pass book. This creates a knotty problem of payment, with no smaller coin in circulation than the cent.

These brief notes can give only a very sketchy idea of the completeness of the collection. Placards challenged visitors to "ask us for some form of money we haven't got." The writer was able to think of only two moneys not included; the new currency being emitted by the new Central Bank of Chile and the new notes of the Bank of Finland. Both of



The two examples at the top are coins from Morocco and Malacca, several coins cast together and afterward broken apart. Lower down on the left is an example of ring money from Africa. At the bottom are coins also from Africa, crudely formed to resemble miniature weapons. This tray was on exhibit at the recent exhibition at the Chase Park Avenue branch of the Chase National Bank, New York.

these notes have been in circulation only a few months, and there has not been time to add them to the collection. In all, the exhibit includes over 30,000 specimens of money, with a face value of over \$50,000,000. It has taken Mr. Zerbe over forty years to assemble them all, and he believes it to be now the most complete exhibit of its kind in the world.



# THE CENTRAL MERCANTILE BANK

OF NEW YORK

Fifth Avenue at 14th Street

BRANCH OFFICES

East Broadway at Catherine Street

Varick at Spring Street

## CONDENSED STATEMENT APRIL 12, 1926

### RESOURCES

|   |                        |
|---|------------------------|
| Cash and Due from Banks .....   | \$ 9,189,606.31        |
| United States, New York State and Other Bonds and Federal Reserve Bank<br>Stock ..... | 664,589.88             |
| Loans and Discounts .....   | 19,605,105.11          |
| Customers' Liability a/c Acceptances .....  | 799,239.39             |
| Bank Building and Safe Deposit Vaults .....   | 117,500.00             |
| Other Assets .....  | 144,325.17             |
| <b>Total Resources .....</b>  | <b>\$30,520,365.86</b> |

### LIABILITIES

|  |                        |
|--|------------------------|
| Capital .....                          | \$ 1,500,000.00        |
| Surplus and Undivided Profits .....    | 1,278,035.70           |
| Reserve for Taxes, Interest, etc. .... | 39,377.21              |
| Acceptances Executed .....             | 799,239.39             |
| Bills Payable .....                    | None                   |
| Deposits .....                         | 26,903,713.56          |
| <b>Total Liabilities .....</b>         | <b>\$30,520,365.86</b> |

|                                 |                |
|---------------------------------|----------------|
| Deposits April 12th, 1924 ..... | \$3,069,488.87 |
| Deposits April 11th, 1925 ..... | 14,346,506.29  |
| Deposits April 12th, 1926 ..... | 26,903,713.56  |

C. Stanley Mitchell, *President*  
 Joseph Brown, *Vice-President*  
 Michael G. Kletz, *Vice-President*  
 Louis Stewart, Jr., *Vice-President*  
 Frederick G. Sinclair, *Vice-President*  
 David R. Welsh, *Cashier*  
 Charles H. Hoffman, *Assistant Cashier*  
 C. P. Cleary, *Assistant Cashier*

### Directors

**Chairman of the Board—David H. Knott**  
 President, Knott Hotels Corp.

**Joseph Brown**, Vice-President  
**Joseph C. Brownstone**, President  
 J. C. Brownstone & Co., Inc.  
**John S. Burke**, Vice-President  
 B. Altman & Co.  
**Donald H. Cowl**, Vice-President  
 James A. Hearn & Son  
**John A. Dilliard**, Treasurer  
 Louis Gold & Co., Inc.  
**Leo L. Dohlin**, President  
 Leo L. Dohlin & Co., Inc.  
**Louis H. Hall**  
 Putney, Twombly & Putney  
**Henry Kelly, Jr.**, President  
 Henry Kelly, Jr., Inc.  
**James C. Kennedy**, Treasurer  
 The Forhan Co.  
**John H. Love**, Treasurer  
 Merchants Association of New York  
**Frederick W. Longfellow**  
 Hawkins, Delafield & Longfellow  
**Willis G. McCullough**, Treasurer  
 Collins & Aikman Co.

**Alfred W. Miles**, Treasurer  
 Best & Co.  
**C. Stanley Mitchell**, President  
**A. M'lon Napier**, President  
 Tidewater Building Co.  
**Argyll R. Parsons**, Vice-President  
 Douglas L. Elliman & Co.  
**Henry Pollak**, President  
 Henry Pollak, Inc.  
**Alfred Rheinsteln**, President  
 Rheinsteln Construction Co., Inc.  
**Alfred W. Richardson**  
 Macmillan Co.  
**Joseph M. Schwartz**  
 Schwartz Bros.  
**Louis Stewart**  
 New York  
**Louis Stewart, Jr.**, Vice-President  
**J. Irving Walsh**, President  
 Real Estate Board of New York  
**Morris L. Willets**, Treasurer  
 Columbia Paper Bag Co.



## WHAT BANKS AND BANKERS ARE DOING

**E**LMORE F. HIGGINS has resigned as vice-president of the National Bank of Commerce in New York, and has become vice-president of the Bank of America, New York, in charge



ELMORE F. HIGGINS

Recently appointed vice-president of the Bank of America, New York.

of the southern territory. Mr. Higgins spent his early years in Montgomery, Ala., with the Merchants and Planters National Bank of Montgomery. After working in several of the banks in Montgomery, he changed his line of activity in 1912 to bank examining, working first for the New Orleans Clearing House Association, and later for the Comptroller of the Currency in various parts of the country. By 1917 he had risen to the post of chief national bank examiner for the Sixth Federal Reserve District. He resigned this position on April 1, 1919, to become assistant cashier

of the National Bank of Commerce in New York. He was appointed a second vice-president on January 1, 1922, and vice-president on March 1, 1924.

**JOHN E. ROVENSKY** has resigned as vice-president of the National Bank of Commerce in New York, to become first vice-president of the Bank of America, New York. Mr. Rovensky was born in Nova Scotia, Canada, on July 13, 1880, educated at the University of Pittsburgh,



JOHN E. ROVENSKY

Who recently resigned as vice-president of the National Bank of Commerce in New York, to become first vice-president of the Bank of America, New York.

and was for a long time connected with the First National Bank of Pittsburgh. Just previous to coming to the National Bank of Commerce, he was head of the banking house of Rovensky & Company.

He has been with the National Bank of Commerce for the last eleven years.

STEPHEN L. VIELE, H. G. Stenersen, and Harold C. Knapp, have been promoted to vice-presidencies with the Fidelity Trust Company, New York.



H. G. STENERSEN

Recently elected vice-president of the Fidelity Trust Company of New York.

Mr. Knapp will continue to act as trust officer. Stewart A. Smith has been appointed assistant secretary, and James J. Gallagher and Alfred C. Loede have been appointed assistant trust officers.

The directors of the Fidelity Trust Company of New York have announced the following additional promotions: Twining Tousley, assistant vice-president; H. O. Metzger, assistant secretary; and P. A. Delaney, assistant secretary and auditor.

HAL Y. LEMON, vice-president Commerce Trust Company, Kansas City, Mo., was elected president of the Association of Reserve City Bankers at the

recent convention in Atlanta. Mr. Lemon comes of a banking family, his father being one of the founders of the Toogle-Lemon Bank of St. Joseph, Mo., where he got his training in banking. He began as collector, and worked in each department, until he was made an assistant cashier in 1909. In 1917 he came to Kansas City as assistant cashier of the National Bank of Commerce, of which he was elected a vice-president in 1920. In 1923 he became head of the division of banks and bankers of the Commerce Trust Company, which is affiliated with the National Bank of Commerce.

The other officers of the association are as follows: Vice-president, H. War-



MILLS B. LANE

President of the Citizens and Southern Bank of Georgia, Savannah, Ga., which last month took over the Merchants Bank of Valdosta, Ga., which gives the Citizens and Southern branches in six cities of Georgia.

ner Martin, vice-president of the Atlanta and Lowry National Bank, Atlanta, Ga.; and treasurer, Clyde C. Taylor, vice-president and cashier First National Bank of Pittsburgh, Pa.

CHRISTIAN DJORUP has withdrawn from the firm of McArdle, Djourup & McArdle, accountants and auditors, New York. The firm will be continued as McArdle & McArdle.

PERCIVAL W. TRUDEAU, formerly assistant vice-president of the Equitable Trust Company, New York, has been elected a vice-president of the Foreman National Bank, Chicago, Ill. Mr. Trudeau's first contact with the banking world was with the Bankers and Manufacturers Mercantile Agency of Boston, both in the Boston and New York offices. He made himself a specialist in brokers' commercial paper, and in 1918 became credit manager of the Equitable. He will be in executive charge of the loan and commercial paper departments in the Foreman National.

E. E. MCCLEISH has been elected president of William Elliott Graves, Inc.,



JOHN J. SMITH

Vice-president of the new Citizens Bank of Brooklyn, N. Y. Mr. Smith comes to the Citizens from the managership of the new business department of the Chemical National Bank, New York, having formerly been in the credit department of that bank.

Chicago; Theodore Tefft Weldon has been elected first vice-president; Howard S. Risley and George H. Miller, divisional vice-presidents; James A. Parsons,



TWINING TOUSLEY

Recently elected assistant vice-president Fidelity Trust Company, New York.

secretary; and M. K. Graves, treasurer. Mr. McCleish has been with the organization since 1922, when he was elected vice-president and chief of copy. Mr. Weldon comes to the Graves organization from the position of advertising manager and new business director of the Northern Trust Company of Chicago, where he built up an enviable reputation as an expert in trust advertising.

W. S. McLUCAS, chairman of the board Commerce Trust Company of Kansas City, Mo., has been elected president of the Kansas City Clearing House Association.

J. H. THERRELL, president of the Commercial Bank, Ocala, Florida, has been elected president of the Florida Bankers Association for the ensuing year. J. S. Reese of Pensacola was elected vice-

president; and Wilson O. Boozer, vice-president of the Atlantic National Bank, Jacksonville, was re-elected secretary and treasurer. The recent convention of the association broke all attendance records, with 300 delegates and more than 200 visitors.

O. B. TAYLOR of the Merchants Bank and Trust Company, Mississippi, has



FRANK F. FAGAN

Vice-president First National Bank, Rocky Mount, N. C., recently elected president of the North Carolina Bankers Association.

been elected president of the Mississippi Bankers Association for the ensuing year. The other officers elected were: Vice-president, A. D. Simpson, vice-president First National Bank of Meridian; secretary, George B. Power, of Jackson; and treasurer, N. H. Crenshaw of the First National Bank of Jackson.

FRANK F. FAGAN, president First National Bank, Rocky Mount, N. C., was elected president of the North Carolina Bankers Association at the recent convention at Durham. The other officers of the association are as follows: Vice-

president, E. E. Jones, cashier Independence Trust Company, Charlotte; second vice-president, W. G. Gaither, vice-president First and Citizens National Bank, Elizabeth City; third vice-president, John W. Simpson, vice-president and cashier Atlantic Bank and Trust Company, Greensboro; and treasurer, H. G. Kramer, cashier Savings Bank and Trust Company, Elizabeth City.

W. LEDYARD MITCHELL, general manager of the Chrysler Corporation, has been elected to the board of directors of the Guardian Trust Company of Detroit. He was president of the Maxwell Motor Company from 1917 to 1920, receiver for the company from 1920 to 1922, and vice-president in charge of manufactur-



E. D. KILPATRICK

Cashier First State Bank, Le Flore, Okla., recently elected president of the Oklahoma Bankers Association.

ing when it was reorganized as the Chrysler Corporation in 1922 until his recent election as general manager.

WILLIAM H. MCNEAL has been elected vice-president of the New York Title and

Mortgage Company, New York. Mr. McNeal has been with the company since 1923 in charge of the national title insurance department, coming to the New York Title from the Waddell Investment Company of Kansas City, Mo.

At a recent meeting of the board of directors of the National Newark and Essex Banking Company, Newark, N. J., William E. Hocker was elected trust officer, Leslie P. Douglass assistant trust officer, and H. I. Parkhurst, assistant cashier. Mr. Hocker was formerly assistant trust officer and Mr. Douglass manager of the trust department. Mr. Parkhurst was formerly credit manager.

W. P. CONNELL, president of the Louisiana National Bank, Baton Rouge, La., has been elected president of the Louisiana Bankers Association for the coming year. J. C. Barry, executive vice-president of the Bank of Lafayette and Trust Company, was elected vice-presi-



HENRY Y. TILLMAN

Formerly president of the Merchants Bank of Valdosta, Ga., now executive vice-president of the Citizens and Southern Bank, Savannah, Ga., which recently absorbed the Merchants Bank.

dent; G. R. Broussard, vice-president of the Bank of Abbeville, Abbeville, was elected secretary; and G. F. Provost, vice-president of the Bank of Commerce and Trust Company, Mansfield, was elected treasurer.



ROBERT NEILL

Vice-president Arkansas National Bank, Hot Springs, Ark., recently elected president of the Arkansas Bankers Association.

ROBERT NEILL, vice-president of the Arkansas National Bank, Hot Springs, Ark., has been elected president of the Arkansas Bankers Association for the ensuing year. He was born in Batesville, Ark., in 1884, and educated in Arkansas College. Beginning as a bookkeeper in the Peoples Savings Bank of Hot Springs, he rose by various stages to assistant cashier, served for a time as a national bank examiner, and in 1915 was made cashier of the Arkansas National. In 1920 he was advanced to the position of first vice-president. Mr. Neill is very active in the work of the Arkansas Bankers Association and the American Bankers Association. He was assistant state manager for Arkansas during the Second Liberty Loan campaign, and



# IN THE HEART of NEWARK

**J**UST a step from Broad and Market Streets, the center of Newark's traffic and one of the busiest corners in the world, is the home of the National Newark and Essex Banking Company. In another sense, this bank is in the heart of Newark business. For 122 years we have been in closest touch with some of the city's most prominent and successful business enterprises.

If you are in town, accept our invitation to call. If you have business here, let us transact it for you. If any of your customers move to Newark, introduce us.

**National Newark and Essex Banking Company**  
Newark's Oldest and Largest National Bank—Established 1804  
NEWARK, NEW JERSEY  
BROAD AT CLINTON STREET

served as treasurer of the American Red Cross and the Salvation Army during the war. He is now treasurer of the local welfare association, a director of the Chamber of Commerce, and a member of the board of public affairs of the City of Hot Springs.

The other officers of the Arkansas Bankers Association are as follows: Vice-president, H. W. Woosley, cashier National Bank of Commerce, Paragould; and treasurer, Art T. Lewis, president First National Bank, Fayetteville.

FRANK C. MORTIMER, vice-president of the Citizens National Bank, Los Angeles, Calif., has been appointed chairman of a committee of the Los Angeles Chamber of Commerce to make a study and analysis of the wool situation in the territory of which Los Angeles is the financial center. Some 16,000,000 pounds of wool are produced in this district, and it is believed that with the close co-operation of all interested, this can be considerably increased.

FRED W. ALLEN, for several years manager of the foreign department of the Northern Trust Company, Chicago, has resigned this position due to ill health. Mr. Allen was actively engaged in the work of the Bankers Association for Foreign Trade, serving as secretary of the association, and as editor of the association paper, *The Letter Box*.

HARVEY L. WELCH, manager of the credit department First National Bank in St. Louis, has been elected president of the St. Louis Association of Credit Men. Other officers elected were: First vice-president, Floyd A. Ferguson, district manager of the treasury department of the Westinghouse Electric and Manufacturing Company; second vice-president, Waldo Finke of Bettman, Kleinhauer Clothing Company; treasurer, George H. Kleinschmidt, assistant cashier National Bank of Commerce in St. Louis; and secretary and manager, Orville Livingston.

## NEW JERSEY BANKERS CONVENTION

SELDOM is it possible to report a bankers convention which is as consistently interesting as that of the New Jersey bankers, held in Atlantic City, May 13-15. Too often conventions follow the traditional procedure, with one address on "our great country;" another on "business conditions" repeating that familiar phrase "fundamental conditions are sound," whether they are or not; and a few very technical addresses. The program of the New Jersey convention was notable for its lack of triteness and for the genuine interest which it aroused.

Henry L. Holmes of the First National Bank, East Orange, in effect, told the delegates that they are not taking proper precautions to protect the lives of their employes against bank bandits and hold-up men. He succeeded in arousing enough interest to have a committee appointed to investigate plans for preventing hold-ups.

Stewart C. Pratt, assistant to the president of the Farmers' Loan and Trust Company, New York, spoke on the results of the investigation of instalment selling made by his bank. This has been published by the bank in pamphlet form, and has been so often reviewed and commented on that it does not seem necessary to quote his remarks here.

Francis Gormley, vice-president of the Claremont Bank, Jersey City, N. J., in speaking of "Competition between Banks and Building and Loan Associations" talked more about co-operation between the banks and building and loan associations than he did about competition. The general theme of his address was that there is not properly any competition between the two types of institution. They appeal to two different classes of savers, and serve two distinct purposes. The address was followed by a warm debate on the subject. What Mr. Gormley overlooked is the fact that while there should be no competition between banks and building and loan associations when

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properly conducted, many bankers believe that building and loan associations deliberately frame their advertisements with the hope of attracting bank depositors to put their funds in building and loan associations under the impression that the associations are just as safe as banks.

W. Randolph Montgomery, counsel for the National Association of Credit Men told the bankers that "laxity of creditors is responsible in a large measure for the unsatisfactory settlement arising in so many bankruptcy cases." He said that the National Association of Credit Men possesses the machinery to get justice for creditors and urged the use of it. He also urged the support of the bills which the association has drafted to close the loopholes which have so often allowed the bankrupt to escape. Finally, he maintained that "unless creditors show more active interest and a greater tendency to co-operate, the final results will be that bankruptcy cases will be cleared up through the action of officials appointed by Federal judges without consulting the creditors.

Perhaps the most important event of the convention was the reading of a report on the recently imposed charge by New York banks for placing call loans. This was read by William J. Field, president of the Commercial Trust Company of New Jersey, Jersey City, N. J., and contained so much of interest that a good part of it follows:

"The New York Clearing House recently published a rule which governs the conduct of members to the effect that when making the loans for their depositors they must charge the depositors for this service 5 per cent. of the amount of interest received by the New York bank on such loans.

"This charge must be made regardless of the relation of the New York bank with the depositor and without regard to the balance which the depositor maintains in New York to pay its New York bank for the service.



## An Important Step— *Applying Bank Standards to Investments*

After 57 years' experience with Chicago first mortgage real estate securities, the Union Trust Company now summarizes in this 24-page brochure, the eight Bank Standards to which it owes its prominence as a source of safe and conservative first mortgage real estate securities.

*Every banker and investor, we find, is interested in these eight standards by which the soundness of any first mortgage real estate bond may be judged. If you have not had a copy, let us send one without obligation.*



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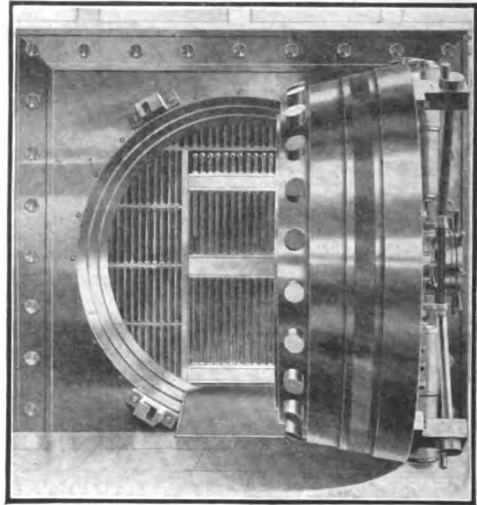
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"You ask the New York banker why this charge, when we are already paying for service, and the reply is: 'So many business corporations have asked us to place their funds in the Street, and as they have not kept balances warranting the service, the charge was necessary.'

"Thus the New York bankers admit that competition for the accounts of such business corporations was so keen that the institutions in control of the clearing house must use its protecting influence.

"It is certainly a new thought in banking that a banking institution cannot, of its own accord, make such terms with a depositor for handling his business as will enable the bank to receive a profit from the transaction.

"What a sad commentary on the New York banker that he should give up his independence in making terms for the business he handles and must have his terms made for him by the New York Clearing House.

"Combinations fixing prices are not permitted in manufactured commodities. Why should such combinations restricting open competition be permitted in banking; especially when the result tends to increase costs which are reflected throughout general business.

"I recommend that this convention voice its disapproval of this arbitrary action of the New York Clearing House."

A vote was taken on the recommendation, and the sentiment was unanimously in favor of the organization going on record as disapproving of the action of the New York Clearing House.

Other addresses at the convention included "Criminal Psychology" by W. L. Barnhard, vice-president of the National Surety Company, New York; "Treasury Refunding Operations" by Simon D. Fess, U. S. Senator from Ohio; "Revision of New Jersey Bank Law" by Frank C. Ferguson, president Union Trust Company, Jersey City; and other addresses by A. Harry Moore, Governor of New Jersey, Dr. John L. Davis, New York, and Congressman Charles Aubrey.



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At the close of the convention, the following officers were elected to serve for the ensuing year: president, Walter E. Robb, of the Burlington City Loan and Trust Company; vice-president, F. Morese Archer, president of the First National State Bank, Camden; and treasurer, William J. Couse, president Asbury Park Trust Company, Asbury Park.

**PROVIDENCE BANK MERGER**

Two of the oldest banks in the country were merged last month when the Providence National Bank, established 1791, and the Merchants National Bank, established 1818, were consolidated in Providence, R. I., under the name of the Providence National Bank. The capital of the combined institution will be \$1,500,000, surplus and profits \$2,800,000 and deposits more than \$11,000,000. The officers will be: President, Moses J. Barber; vice-president and cashier, Earl G. Batty; vice-president, Willard I. Angell; assistant cashier, Frank L. Sawyer. The Providence National Bank is the oldest bank in the United States now operating under the national bank act.

**SAFE DEPOSIT CONVENTION**

The National Safe Deposit Convention was held at the Hotel Roosevelt, New York, May 7-8, under the auspices of the New York Safe Deposit Association, and drew an attendance of about 500—one of the largest in the history of these national meetings.

The dividing of the convention into general topics to be discussed by a number of speakers was very successful. Three general subjects were considered; (1) Legal questions relating to the safe deposit business; (2) Selling the business to the public; and (3) Problems of the internal operation of a safe deposit vault.

There is no national organization of safe deposit men, the only thing corresponding to it being the National Ad-

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visory Council, of which the new officers are as follows: President, Oscar W. Coddling of the First National Bank of Boston; vice-president, Philip S. Malcolm of the City National Bank, Bridgeport, Conn.; and secretary and treasurer, William O. McClure of the Cleveland Trust Company, Cleveland, O.

The executive committee will consist of the officers and: Edwin J. Phelps, president of the Northern Trust Safe Deposit Company, Chicago; C. J. Shaw of the Merchants' and Manufacturers National Bank, Newark, N. J.; Louis V. Ennis of the Chatham Phenix National Bank and Trust Company, New York; and L. E. Thoman of the Hibernia Bank and Trust Company, New Orleans, La.

None of the addresses made at the convention were available at the time of going to press.





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*which you submitted to us sixteen years ago and which, with your assistance, we are still carrying out, has been most successful in creating good will for the STATE STREET TRUST COMPANY. The appearance of the historic books which you help us to prepare each year has come to be an event which is looked forward to by thousands of our friends in Boston and New England,"* said ALLAN FORBES, President of the State Street Trust Co. of Boston.

Among the banks for which we have prepared distinctive books for the purpose of creating good will are: the Fifth Avenue Bank of New York, the Bank of Manhattan Co., the Brooklyn Trust Company, the Worcester Bank and Trust Co., the National Savings Bank of Albany, and the Providence Institution for Savings.

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### NEW OFFICE FOR FARMERS' LOAN AND TRUST

On May 3, the Farmers' Loan and Trust Company, New York, opened its new Fifth avenue office, with a reception attended by Mayor Walker, state officials, banking officials, business men, and directors of the company.

The company will occupy the street and second floor of the new building, which is among the handsomest in the city.

### A SPLENDID LUNCHEON IDEA

THE District of Columbia Bankers Association has found the meetings of convention committees and sub-committees to arrange for its annual convention so helpful in bringing about co-operation between the local bankers that in 1923 it was suggested that these gatherings be held every week in the form of a luncheon for bank officers.

The suggestion was received enthusiastically, and the weekly luncheons have been held for almost three years every Wednesday at the City Club of Washington. Only senior officers of the banks are permitted to attend, so that every official present is of the rank of cashier or above. The president of the association, or in his absence, the first vice-president presides, and the various problems are frankly discussed, and matters are brought up where it is deemed necessary that the banks work together for mutual protection. It is a rule that nothing mentioned in these meetings is ever carried beyond them.

The luncheons are held at 12:45 p. m. and close promptly at 2 p. m. By adhering to this rule, it has been possible to have practically a 100 per cent. attendance regularly.

Summing up his opinion of the weekly luncheons, Robert V. Fleming, secretary of the association, says that they "have been productive of close and cordial relations between the senior officers of the banks of the city, both national and state, and have resulted in bettering banking

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conditions not only for the banks but for the public also."

### UNIFORM TRUST PLAN TO SUPPLEMENT COMMUNITY TRUST

The Bank of New York and Trust Company, New York, has adopted the plan known as the "uniform trust for public use" copyrighted by Daniel S. Remsen of New York. The new plan has much the same object as the community trust plan; that is, it provides against the testator directing money to be used for a purpose that becomes obsolete or superfluous. It differs, however, from the community trust in that it provides for a much wider distribution than the community trust. The latter usually limits its work to one city or community. The territory covered by the uniform trust for public uses is unlimited. Full

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details of the plan are contained in an  
eighteen page booklet, put out by the  
author of the plan.

## INDUSTRIAL TRUST ACQUIRES NATIONAL EXCHANGE BANK

THE Industrial Trust Company, Provi-  
dence, R. I., has taken over the National  
Exchange Bank of that city, and will  
continue to operate it as its Exchange  
branch. Charles H. W. Mandeville,  
president of the National Exchange Bank  
has become manager of the new branch  
of the Industrial Trust, and Michael F.  
Dooley, and Frederick S. Peck, chairman  
of the board and vice-president, respec-  
tively, of the National Exchange, have  
been made vice-presidents of the Indus-  
trial Trust Company.

The National Exchange Bank was or-  
ganized in 1801, and at the time of the  
merger was capitalized at \$1,250,000,  
with surplus and undivided profits of  
\$1,370,851, and deposits of about \$18,-  
000,000.

The Industrial Trust Company is cap-  
italized at \$4,000,000 with surplus and  
undivided profits of \$9,309,705. Prior to  
taking over the National Exchange Bank,  
its deposits amounted to over \$119,000,-  
000. Samuel M. Nicholson is chairman  
of the board of directors, and Florrimon  
M. Howe is president.

## UNION STATE-MIDLAND NATIONAL MERGER

THE Union State Bank, Minneapolis,  
Minni., has consolidated with the Mid-  
land National Bank and Trust Company  
of that city. All of the official staff and  
employees of the Union State will con-  
tinue with the consolidated institution,  
whose total resources will be approxi-  
mately \$24,000,000 with capital and sur-  
plus of \$1,500,000.

The Union State Bank was organized  
in 1905. The Midland National Bank  
and Trust Company is the result of a  
consolidation of the Scandinavian Amer-  
ican National Bank, organized in 1909,  
and the National City Bank. At the



time of the merger (in 1914) the name was Scandinavian American National Bank, which was changed to the Midland National Bank, in 1917, and to the present name in 1925. Charles B. Mills is president of the bank.

#### BANCITALY STILL GROWING

The Bancitaly Corporation, New York, has purchased the Richmond Borough National Bank, Stapleton, Staten Island, by acquiring 100 per cent. of its stock. The Richmond bank, which has deposits of over \$1,250,000, will be merged with the Bowery and East River National Bank, as a branch of the latter, bringing the total number of branches of the Bowery and East River to twelve.

#### FIDELITY UNION ACQUIRES IRONBOUND TRUST

FOLLOWING out its policy of expansion which led it to acquire the North End Trust Company, Newark, N. J., the Citizens National Bank and Trust Company, Newark, N. J., and the Essex County Trust Company, East Orange, N. J., the Fidelity Union Trust Company of Newark has purchased control of the Ironbound Trust Company of that city. For the present the Ironbound Trust will be operated as a separate unit pending legislation which would make it possible for the Fidelity Union to operate it as a branch. If the two institutions were consolidated, total resources would amount to over \$107,000,000, total deposits over \$93,000,000, and capital and surplus over \$11,000,000.

#### FIRST NATIONAL OF NEW YORK HAS DIVIDEND RIVAL

The First National Bank of New York, it develops, is not the only bank with a dividend rate of 100 per cent. The Putnam County National Bank, Carmel, N. Y., claimed a place on the same plane when it recently declared a special cash dividend of 100 per cent. The Putnam County bank was established in 1865, the first in that county. It has paid a 100 per cent. dividend twice during its career of sixty-one years, the other being paid in railroad stock more than a quarter of a century ago. The bank has also recently moved into a new building.

#### BRANCH BANK AT THE SESQUICENTENNIAL

THE Franklin Trust Company, Philadelphia, Pa., will open a branch on the exposition grounds to serve its customers at the Sesqui-Centennial International Exposition which begins June 1, in Philadelphia.

The branch will occupy a building of its own, approximately 60 by 30 feet, of Colonial architecture. The new office will be open until midnight, as all the branches of the Franklin Trust Company are. It will contain a ladies' department, with a special teller in charge; an exhibit of bank machinery and money counting devices; and a large veranda where depositors and their guests may rest. The building will be illuminated at night by flood lights, and the exhibit of

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bank machinery will be visible at all times through bullet-proof glass of which one end of the building will be built.

### GUARANTY TRUST, NEW YORK, INCREASES SURPLUS

THE Guaranty Trust Company, New York, has transferred \$5,000,000 from undivided profits account to surplus. After the change, the capitalization of the company will be: Capital \$25,000,000, surplus \$20,000,000, and undivided profits \$2,588,158.

### UNION TRUST OF CLEVELAND ABSORBS STATE BANKING AND TRUST

THE Union Trust Company, Cleveland, O., has merged with it the State Banking and Trust Company of that city, as its State office.

D. R. James, George Walters, and James L. Paton of the State Banking and Trust Company, have become vice-presidents of the Union Trust Company, and D. Y. LeFever, J. L. Wadsworth, and Charles J. Hodous have become assistant vice-presidents.

### NEBRASKA BANKS MERGE

THE Omaha National Bank, Omaha, Neb., has consolidated with it the Merchants National Bank of that city. The new institution, which will be known as the Omaha National Bank, will have total deposits of about \$36,000,000. Fred Hamilton, president of

the Merchants National has been elected a vice-president of the Omaha National. Walter W. Head is president of the Omaha National Bank.

### SAFETY PAPER COMPANY OPENS NEW OFFICES

GEORGE La Monte & Son, New York, manufacturers of safety check paper, have established two new branch offices, at Cleveland and Atlanta. The Cleveland office will be in charge of E. S. Spink, Jr., who moves there from the head office at New York. M. K. Moore, who will be in charge of the Atlanta office, also comes from the head office in New York.

These two offices bring the total number of offices of the company to eight. The others are at Chicago, Philadelphia, St. Louis, San Francisco, Toronto, and Zurich, Switzerland.

### CALLS OFFER FOR STOCK "RIDICULOUS"

In a letter to preferred stockholders of the Celotex Company, B. G. Dahlberg, president, called "ridiculous" the offer by a brokerage firm of 83 for the preferred stock. He stated that the dividends of 7 per cent. have been paid regularly, and that for the first five month period of the current fiscal year net earnings applicable to preferred stock dividends amounted to almost five times dividend requirements.

In his letter he gave the record of Celotex shipments for the last three years as follows: 1924—11,205,031 feet; 1925

—19,434,932 feet; 1926—51,565,326 feet.

"As a matter of fact, last month (March) was the biggest month in our history," he wrote, "shipments amounting to over 17,000,000 feet and net earnings for the month applicable to preferred dividends being more than six times dividend requirements."

### OHIO BANKERS CONVENTION PROGRAM

THE Ohio Bankers Association plans to have what it calls an "old fashioned convention" this year on June 9-11 at Cleveland. It has arranged an attractive entertainment program, and is urging every banker to bring his wife and daughters with him to the convention. They will be taken for an auto ride through Cleveland's parks and boulevards, to tea at one of the country clubs, for a boat ride on one of the lake steamers, on shopping tours, and to a theater party.

This will keep the ladies amused and occupied while the men attend the business sessions of the convention, where there will be addresses by Chester C. Bolton, state senator from Cuyahoga county, on the Ohio tax laws; by F. W. Sibley, vice-president of the Bankers Trust Company, New York, on budgeting; and by Newton D. Baker, former Secretary of War, who will probably ad-

dress the convention the League of Nations.

### INCREASE OF GENERAL MOTORS ACCEPTANCE STOCK

THE General Motors Acceptance Corporation has sold an additional 55,000 shares of its capital stock to the General Motors Corporation at \$125 per share, thus acquiring \$6,875,000 of additional



F. H. HOBSON

Vice-president Cleveland Trust Company, Cleveland, O., chairman of the program committee for the thirty-sixth annual convention of the Ohio Bankers Association, to be held at Cleveland, June 9-11.

capital funds. With this increase, the corporation now has capital, surplus and undivided profits totalling \$28,750,000. All of the capital stock is owned by the General Motors Corporation.

The General Motors Corporation has made an offer to the Fisher Body Corporation for a purchase of the entire properties. The German unit of General Motors has acquired a plant near Hamburg, which is to be used in the manufacture of Chevrolet trucks.

1926

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### STATE BANKERS CONVENTIONS

Oregon — at Gearheart-by-the-Sea, June 4-5.

Wisconsin—at Wausau, June 7-9.

Washington—at Walla Walla, June 8-10.

Ohio—at Cleveland, June 9-11.

Minnesota — at Minneapolis, June 9-11.

Utah—at Richfield, June 11-12.

Idaho—at Pocatello, June 14-15.

Michigan—on board *S. S. Noronic*, June 14-18.

South Dakota—at Watertown, June 15-16.

Illinois—at Springfield, June 16-18.

South Carolina — at Spartanburg, June 17-19.

District of Columbia—at Hot Springs, Va., June 17-20.

Virginia—at Ronake, June 17-19.  
Connecticut—at New London, June 18-19.

Maine—at South Poland, June 19.  
New York—at Quebec, Canada, June 21-23.

Iowa—at Sioux City, June 21-23.  
North Dakota—at Grand Forks, June 22-23.

West Virginia—at Huntington, June 23-24.

Colorado—at Glenwood Springs, June 25-26.

Montana—at Butte, July 15-17.  
Delaware—at Rehoboth, September 2.  
Kentucky—at Louisville, September 15-16.

Indiana — at Lafayette, September 21-22.

New Mexico—at Roswell, October 22-23.

Nebraska — at Lincoln, November 11-12.

### OTHER CONVENTIONS

New England Bankers Associations—  
at New London, Conn., June 18-19.

American Institute of Banking—at  
Dallas, Texas, July 12-17.

Savings Banks Association of Massa-  
chusetts—at Chatham, Mass., Septem-  
ber 17-18.

Financial Advertisers' Association—  
at Detroit, Mich., September 21-23.

Mortgage Bankers Association of  
America—at Richmond, Va., September  
21-23.

Pacific Coast Trust Conference (A.  
B. A.)—at Los Angeles, September 30-  
October 2.

American Bankers Association—at Los  
Angeles, Calif., October 4-6.

Investment Bankers Association—at  
Quebec, Canada, October 11-15.

National Association of Mutual Sav-  
ings Banks—at Philadelphia, Pa., Oc-  
tober 18-22.

Canadian Bankers' Association—at  
Montreal, Canada, November 12.



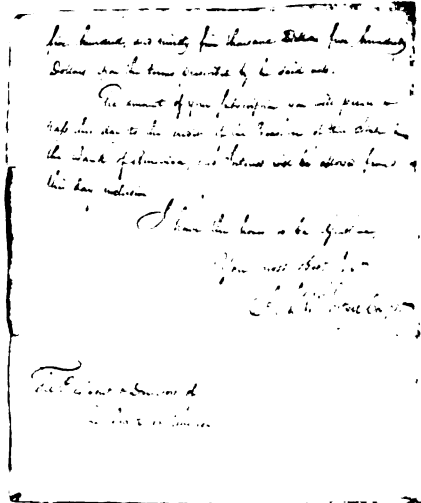
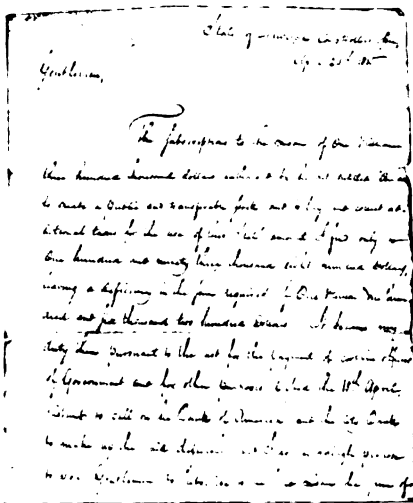
# FINANCE AND POLITICS IN EARLY NEW YORK

TODAY the public quite generally disapproves of any interference of politics into the field of finance, and the extent of such relationship at the present time is usually lamented by bankers and business men. They fail to realize how much progress has really been made in the direction of separating politics and finance in this country. The true advance which has actually been made during the past century can better be appreciated from a review of the events concerning the chartering of the Bank of America and the efforts of the New York banks in financing the needs of the United States during the War of 1812.

The first quarter of the Nineteenth Century is probably the least understood period in all American history. The events leading up to the Revolutionary

War are better known to historians, and of course the antecedents of the Civil War are fully recorded in the annals of this country. However, the intervening period remains the most neglected of any era in the life of the American people.

Certain facts dealing with the financial and political events of those years have come to light through the recent discovery of a group of interesting manuscripts among the unfiled papers of the Bank of America. From these documents and from original sources which have been preserved in the New York Public Library a new chapter of politics and finance of old New York may now be written. Although the scene is laid in New York City, it involves the political trend not only in New York State, but also of the United States, for the struggle over the chartering of the Bank of



Reproduction of a letter showing an instance, in the early history of the Bank of America, when assistance was given by the bank in maintaining the financial structure of the State of New York. Letter dated April 25, 1815, to the president and directors of the Bank of America, signed by Archibald W. McIntyre, Comptroller, requesting subscription in the amount of \$595,500 to relieve a deficiency created by an unsuccessful public loan.





chartering of the Bank of America and even founded a newspaper in Albany for the purpose of combating the incorporation act. Spencer found an ally in Governor Tompkins, who was also interested in several banks. The Governor, like so many of his successors in Albany, had his eye on the White House, and was seeking the support of the New York delegates. His most serious contender was none other than De Witt Clinton, who was a power among the Republicans of the state and who also was seeking the Presidency. It was natural to expect that De Witt Clinton, who had given the first United States Bank its death blow, would oppose the Bank of America as successor. However, De Witt Clinton was on friendly terms with certain supporters of the bank and also was seeking their aid for the Presidency against James Madison. De Witt Clinton therefore refused to take sides on the issue, and his neutrality really made it possible to force the bill chartering the bank through the Assembly by a vote of fifty-two to forty-six. The bill then went to the Senate where a motion was made to reject the bill, but it was lost by the close vote of fifteen to thirteen. The passage of the act now seemed assured, but at this juncture Governor Tompkins resorted to a measure most unusual in American constitutional history. Under British rule, a governor was privileged to prorogue the legislature, yet this power was rarely exercised. Governor Tompkins, however, took advantage of his power under the state constitution of 1777, to prorogue the legislature—the only case of its kind in the history of New York State. Tompkins was prompted by a double motive. First, he was seeking to delay action on the bank so possibly to defeat it, and also thwart the presidential ambitions of De Witt Clinton. The latter object was attained, for, while the legislature which was favorable to De Witt Clinton was out of session, the Congressional caucus nominated Madison who eventually captured the presidency.

However, the bank was chartered in the following session of the legislature in 1812.

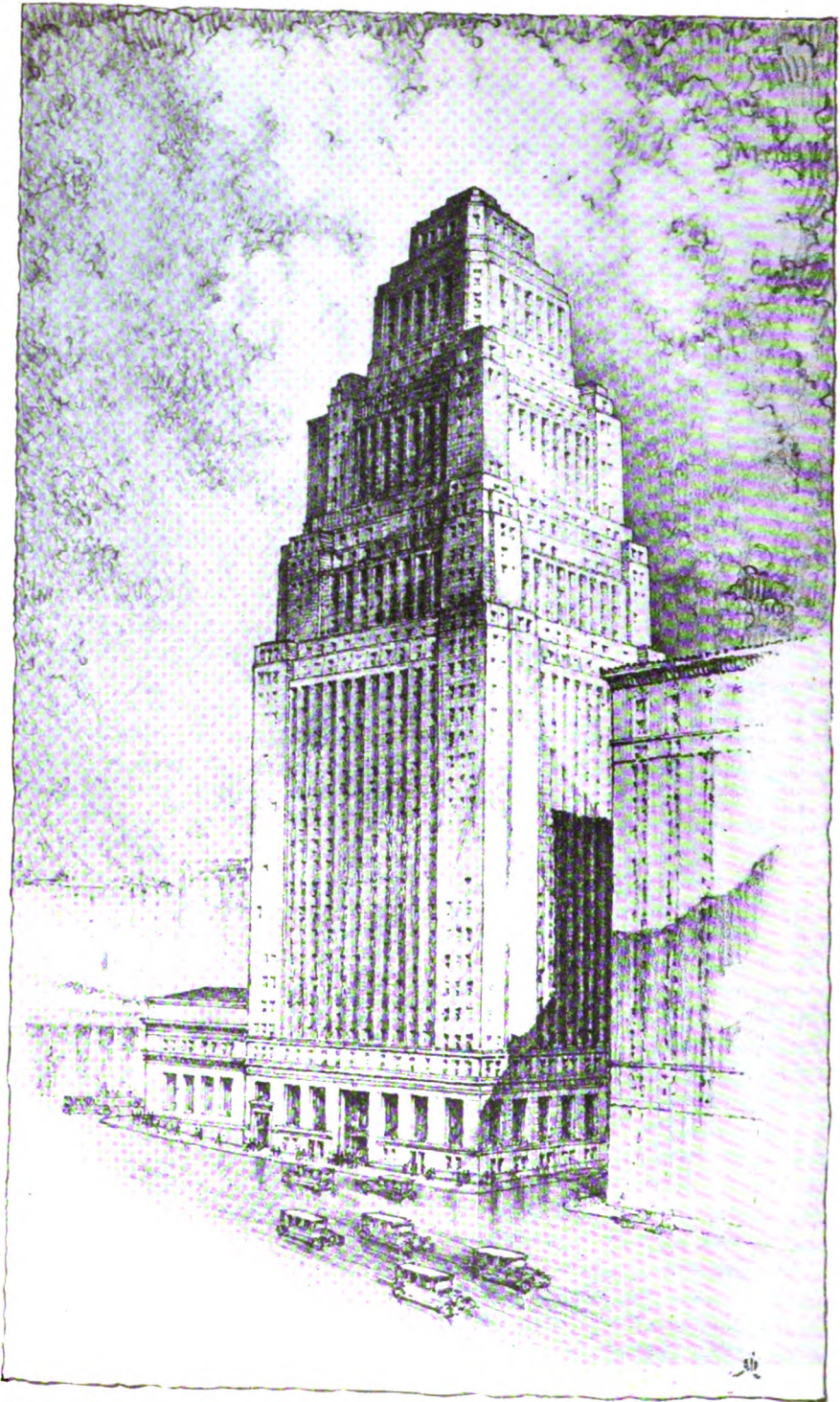
The Bank of America, organized thus as a state institution, was the direct successor of the first United States Bank, and the stock of the latter was made interchangeable for the former. The Bank of America was the largest financial institution of its day, having a capitalization of \$4,000,000. The bank performed valuable services to the state and to the Federal Government. Under its charter, it paid into the treasury of the state as a bonus for receiving the charter the sum of \$400,000 "To be applied for the use and encouragement of common schools—\$100,000 to be applied for the purpose of opening and improving road and navigation, and \$100,000 for the encouragement of literature in the state." Also according to the charter, the bank was obligated to lend the state any sum up to \$1,000,000 at 5 per cent. whenever the state wished to avail itself of this right. The records of the bank show that the state made frequent use of this privilege and on one occasion borrowed \$200,000 as is seen from the following letter of the Treasurer of the State of New York to the president and directors of the Bank of America.

"To the President, Directors and Company of The Bank of America.

"Pursuant to the act entitled 'An act relative to the Bank of America,' passed 20th March 1813 and the act entitled 'An act for the payment of certain officers of government and for other purposes,' passed 15th April 1814, pay to Charles Z. Platt, Treasurer of this State, the sum of Two hundred thousand dollars, as a loan to the People of this State, the Interest whereof, at the rate of five per cent. per Annum, to be paid annually, and the said principal sum to be repaid at such time or times during the continuance of said Corporation, as shall be provided for by Law:

"And this shall be your Warrant.

[Continued on page 970]



A sketch of the new building for the Equitable Trust Company of New York, showing J. P. Morgan & Co., and the old sub-treasury at the left. Work was recently begun on the new building.



## NEW BUILDING FOR EQUITABLE TRUST BEGUN

**W**HAT was at the time of its construction the finest office building in the world is being torn down to be replaced by the new building for the Equitable Trust Company of New York. It is the Mills building, completed in 1882 by Darius Ogden Mills. Mr. Mills was a native of New York State who went west in the "Days of '49" and made a fortune running a general store in San Francisco. He founded the Bank of California, and served as president for a number of years, during which the bank was very prosperous. When he retired the bank fell on evil days and he had to step in and help re-organize it.

He was one of the group of western merchant princes such as C. P. Huntington and Leland Stanford, who came to New York to spend the fortunes made in the West. Mr. Mills tried to buck the Wall Street game, as did most of these western men. William H. Vanderbilt gave him a tip that Lake Shore stock was a good speculation, and Mills plunged heavily on it. Rumor says that he made \$2,700,000 profit on the deal. This was the money that went into the construction of the Mills building.

A number of distinguished men have had offices in the building during its life. Grover Cleveland had his office there in the interval between his two terms as President, and afterward. George Hearst, father of William Randolph Hearst, was also once a tenant of the building. The New York Stock Exchange house of Henry Clews & Co., was located on the ground floor of the building during most of its life.

A sketch of the new building which is to replace the old Mills building, looking north on Broad street, is shown on the opposite page. It will be thirty-six

stories high, of granite, brick, and limestone, and will be constructed according to what Lyman V. Rhodes, vice-president of the bank, calls "modern Gotham" style of architecture; that is, it will follow the general pyramid shape. It will be completed some time in the spring of 1928, and will cost about \$14,000,000.

The construction of the building is a natural development of the Equitable Trust Company's growth. The company now owns a twenty-five story building on Wall street and occupies fifteen of those stories. The new building will be connected with the old by a corridor.

The Equitable was organized in 1871 as the Traders Deposit Company, at 120 Broadway. The name was afterward changed to the American Deposit and Loan Company, under which name the company had offices at 149 Broadway for some years.

It was not until 1902 that the name was changed to the Equitable Trust Company of New York, and the activities broadened to include every banking and trust function. The company was at that time located at 25 Nassau street. This is the back door address of the Equitable building, which extends from Broadway through to Nassau street.

After the great fire, which practically destroyed the Equitable building in 1912, the company occupied temporary offices at 115 Broadway for about three weeks. It acquired its present building at 37 Wall street when it absorbed the Trust Company of America, to which the building belonged.

Of late years the Equitable has been extending its foreign business rapidly, and has also been giving a good deal of attention to the development of a bond department.

**The Bankers' Magazine and Statistical Register.**

THE undersigned, subscribers to the *Bankers' Magazine*, have carefully examined the plan and execution of that work, and cordially approve of the manner in which it is conducted; believing that it is a medium of interesting and important information, and fully entitled to the support of banking institutions throughout the United States.

C. C. JAMISON, *Cashier Bank of Baltimore,* R. MICKLE, *Cashier Union Bank of Maryland,*  
D. SERIGO, *Cashier Merchants' Bank, "* JOHN S. GITTINGS, *President Chesapeake Bank,*  
JACOB BIER, *President Marine Bank, "* J. B. TREVOR, *Cashier Philadelphia Bank,*  
J. H. CARTER, *Cashier Western Bank, "* W. PATTON, JR., *Cashier Farmers and Mech. Bank,*  
T. CROSS, *Cashier Commercial and Farmers' Bank,* JAMES RUSSELL, *Cashier Bank of Penn Township.*

The undersigned coincide with the opinion above expressed, and cordially unite in recommending the *Bankers' Magazine* to all banking institutions, as well worthy the attention of the presidents, cashiers, directors, and officers generally, of the banks throughout the United States.

JAMES DODD, *Cashier Massachusetts Bank, Boston.* W. H. FOSTER, *Cashier Bank of Commerce, Boston.*  
E. P. CLARK, *Cashier New England Bank, "* CHARLES SPRAGUE, *Cashier Globe Bank, "*

*From a Massachusetts Cashier.* — I read your work with great interest, and I know that I have profited by it. I am confident that my success is owing in a great measure to the information which your pages have given me.

I consider your work a very valuable one, and highly deserving the support of bankers, and of the business community. You have my best wishes for your success.

J. B. PLUMB, *Cashier, Albany.*

April, 1851.

Your periodical is one of the most valuable of the day.

J. S. GIBBONS, *Cashier Ocean Bank.*

April, 1851.

*Agricultural Bank, Herkimer, N. Y.*

We prize the work very highly, and are very desirous of having it complete, that it may be bound and preserved. The information it contains on the subjects of banking and finance is invaluable to the banker, the merchant, and the financier.

September 1850.

I am surprised to learn that there are so many banks in our State not on your subscription list. Now I might almost add my amazement that there should be a *solitary one*, of sound character, not eagerly availing itself of a work so useful and valuable as I regard your Magazine. It will give me pleasure to promote its circulation by any means in my power.

I heard it very highly spoken of in London when there recently, and especially so by Mr. Gilbert, whose praise in that regard is worth having.

WATTS SHERMAN, *Cashier Albany City Bank.*

April, 1851.

**THE BANKERS' COMMONPLACE BOOK.** — This book consists of a compilation of articles covering the theory and practical operations of banking. It opens with the "Treatise on Banking," by A. B. Johnson, the oldest practical banker in America, which was originally published in the *Bankers' Magazine*, two or three years since, and which elicited wide commendation. The book is scarcely less valuable to those doing business with banks, than to those engaged in banking. — *Springfield Republican.*

**THE BANKERS' COMMONPLACE BOOK** — Phillips, Sampson, & Co., of Boston, have just issued this work, which must be a useful one to all who are found "sitting at the tables of the money-changers." Banking, indeed, is now a science, and to be studied like any other profession. We think the members of the fraternity will therefore welcome this work as throwing much light upon the principles by which banking should be conducted, and giving also many practical rules. It is a small volume, but certainly contains a great amount of useful matter. — *Albany Register.*

A page from THE BANKERS MAGAZINE seventy-five years ago (June, 1851) reproducing a number of letters written to the Magazine by subscribers.



## NATIONAL SHAWMUT BANK NINETY YEARS OLD

ON May 6 last the National Shawmut Bank of Boston passed its ninetieth anniversary. It was organized in 1836 as the Warren Bank, a state institution, with a capital of \$500,000. The name of the hero of Bunker Hill had, however, been identified with so many other institutions that the directors decided to change the name to Shawmut, the Indian name of the place which later became Boston. This

was probably the first honorary adoption of this fundamental name.

It was in the old Exchange Coffee House, the social and business center of Boston at that time, that the first meeting was held and the bank was opened in small quarters at the corner of State street and Merchants Row. On State street it remained until 1870 when it removed to the corner of Congress and Water streets, to move from there into



The famous Exchange Coffee House, where the National Shawmut Bank was organized.  
[Reproduced from an old print.]

its present building on Water street, opposite the general post-office.

Becoming a national bank in 1864, in October, 1898, the bank became the nucleus of a momentous consolidation, destined to revolutionize banking in Boston. By this consolidation nine of the old banks of the city were merged



WALTER S. BUCKLIN

President National Shawmut Bank of  
Boston, Mass.

into the reorganized National Shawmut Bank, with capital of \$3,000,000. Five other banks have since been added; the National Bank of the Commonwealth, the Third National, the Republic, the Exchange and the Eliot, and in the course of these consolidations the capital stock of the bank was increased, and with subsequent increases through growth, is now \$10,000,000, while its surplus and reserves are \$9,500,000, deposits \$183,000,000 and total resources \$220,000,000.

Three years ago, Walter S. Bucklin, became president of the National Shawmut Bank and since that time its growth has been marked by a large increase in business. The savings department has been established; five new offices have

been opened in Boston; business of its bond department and trust department has been substantially increased and there has been an important enhancement in the value of the bank's stock.

#### ORIGIN AND GROWTH

At a meeting in the famous Exchange Coffee House of Boston on May 6, 1836, the Warren Bank was organized with a capital of \$500,000. Soon afterward its directors realized the potential value of a name of broader significance and more pronounced individuality—the name of the hero of Bunker Hill being identified with other institutions—and changed its name to Shawmut, the Indian name of the place which became Boston. This was, so far as is known, the first honorary adoption of this fundamental name.

After almost a generation as a state bank the Shawmut Bank on the seventh of April, 1864, was incorporated as the Shawmut National Bank, with a capital of \$750,000 which was later increased to \$1,000,000, and for thirty-four years grew and prospered as such. In October, 1898, the Shawmut National Bank became the nucleus of a momentous consolidation designed to decrease materially the number of Boston banks, and to found an especially strong and efficient financial organization to meet the advancing requirements of New England business. By this act nine national banks—the Columbian, the National Eagle, the North, the Hamilton, the Market, the Bank of North America, the Howard, the Boston, and the Revere Bank of Boston—terminated their corporate existences, and their business and resources were taken over by the National Shawmut Bank of Boston—capital \$3,000,000—the new and now existing institution. Again, in November, 1901, the National Shawmut Bank was strengthened by the acquisition of the National Bank of the Commonwealth, and, in the following December, of the Third National. On December 28, 1906, the Shawmut was further enlarged by the purchase of the National Exchange Bank,

and on April 6, 1908, the Republic National Bank was added. Its last accession was the Eliot National Bank, on October 24, 1912. In the course of these consolidations the capital stock of the National Shawmut Bank was accordingly increased with subsequent increases through growth, and is now \$10,000,000, while its surplus, undivided profits and reserves are now over \$9,000,000. Total resources of the bank are now over \$200,000,000.

"Shawmut" is an Indian word, equivalent, as variously interpreted, to "living water," or "near the water," and the Great Spring which is believed to have been the cause of this name for the little peninsula which was first settled, as well as the feature that particularly attracted Governor Winthrop and his colonists, was but a few feet from where Shawmut Bank building stands—as adjacent Spring Lane testifies—and its flowing waters joined those of the bay at an inlet then extending to a point now covered by the southeasterly corner of this building. When the land of this settlement came to be apportioned and streets laid out, Water street terminated at this point, which through reclamation made long ago is now a full half mile from the water front.

A portion of the land on which the National Shawmut Bank stands was originally included in the tract allotted to Governor Winthrop, and the site as a whole has borne many interesting phases of Boston's development from a primitive settlement to its present distinction

as the commercial capital of New England.

#### SUCCESSIVE LOCATIONS

The Exchange Coffee House, in which the Shawmut (then the Warren) Bank was organized in 1836, was the social and business center of the Boston of that period. In those early days business offices were "counting rooms" only, and their proprietors commonly resorted to the comfortable rooms of such public houses for organization and administrative meetings.

The bank was opened in small quarters on State street, at the corner of Merchants Row, with "discount days Mondays, Wednesdays and Fridays." From 1836 to 1870 it remained on State street, successively at 72—39—41— and 20, from which latter number it moved to 60 Congress street, at the corner of Water. After more than a third of a century at that corner it was forced by growth and accessions to provide much larger quarters, and its present Water street building was completed and occupied in 1907.

In the Great Fire of 1872 its home at 60 Congress street was destroyed, and during the period of its rebuilding the Shawmut was again on State street, at number 43.

While all of the Shawmut Bank's business locations have been on ground intimately associated with Boston's earliest history, its present site is, in regard to its name, particularly significant.





Exterior of the head office of the Kansallis-Osake-Pankki, at Helsingfors, Finland.



Banking hall at the head office of the Kansallis-Osake-Pankki at Helsingfors, Finland.

## GROWTH OF THE KANSALLIS-OSAKE-PANKKI, FINLAND

**I**N the history of Finnish banking the Kansallis-Osake-Pankki, which has just rounded its thirty-sixth year of business, occupies a unique position.

Even the account of the founding of the bank is something out of the ordinary. The share capital of the bank was not subscribed by a group of financiers as is usual in such cases. Instead the shares were distributed in small lots all over the country, as the shareholders were chiefly farmers, rural tradesmen, officials and others in modest economic circumstances. The distribution of the capital stock among such a widespread circle of customers is, like the whole policy of the bank, intimately connected with the strong development of the Finnish national movement in the latter half of the Nineteenth Century. Until the close of the 1880's this movement had been mostly of a cultural nature. But for its further development the national life had to rest on an economic basis and one of the most important presuppositions for this was the creation of a great banking

and monetary institution. Under such circumstances the Kansallis-Osake-Pankki was founded in October, 1889.

The bank began business in February of the following year with a capital stock of fm. 2,500,000 and from the very beginning was successful in gaining the confidence of the public. The business increased rapidly and a year afterward the share capital was increased to fm. 4,000,000. At the same time the deposits from the public amounted to fm. 7,500,000, the home loans to fm. 8,600,000 and the balance sum to fm. 10,300,000.

In 1892 the bank was fortunate in securing for its managing director one of the most prominent bankers of the country, F. K. Nybom, who thereafter headed the bank for over twenty years or until 1914. During his time the bank developed from a modest beginning to one of the leading monetary institutions of the country. At the close of the last year before the war, the bank's own funds had mounted to fm. 32,900,000

and deposits to fm. 182,900,000 while the balance closed with fm. 209,000,000. In regard to the character of the deposits it may be stated that the greater portion



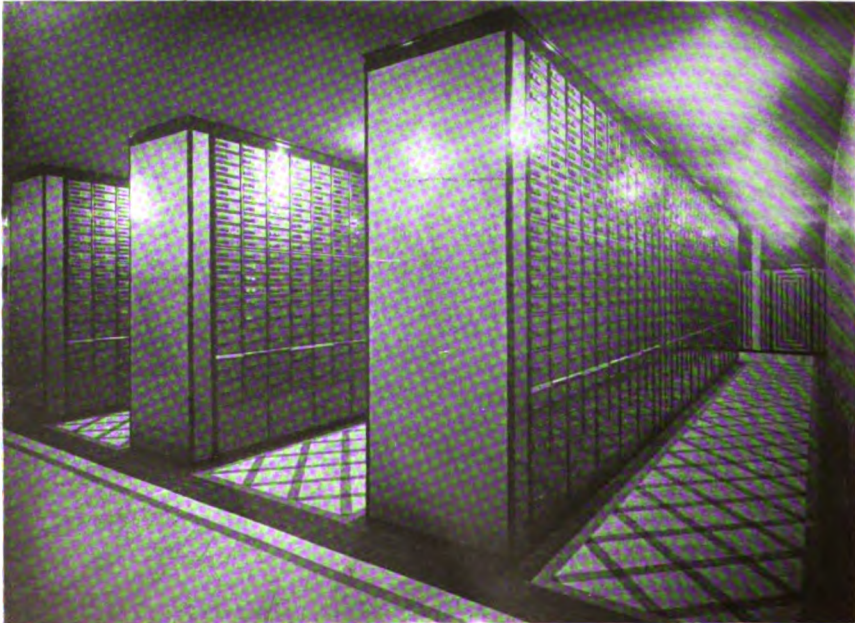
J. K. PAASIKIVI

Managing director Kansallis-Osake-Pankki, Helsingfors, Finland.

were small savings, and thereby there was greater security against sudden surprises than if the total sum had been made of larger and at the same time fewer deposits.

The year 1914—the year of the outbreak of the World War—marks a new period in the development of the bank. Mr. Nybom retired because of advancing age and recommended as his successor the present managing director, J. K. Paasikivi, LL. D., then supervising director of Finland's State Office, a gentleman who has also taken part in the government of the country both as Finance Minister and Premier.

The war and the years subsequent to it was for the country a period rich in events, and the difficulties to which such situations give rise made greater demand than usual on the monetary institutions. By adapting itself to the new conditions the Kansallis-Osake-Pankki was successful in developing the business from year to year. The deposits increased rapidly, not only during the inflation period but also during the later



The safe deposit vaults of the Kansallis-Osake-Pankki, Helsingfors, Finland.



The branch office of the Kansallis-Osake-Pankki at Lahti, Finland.

years after the stabilization of the currency system. And step by step with the growth of the business there has been an increase in the bank's own resources. At the close of the last year the bank's own funds showed the sum of about fm. 273,000,000 while the home deposits amounted to fm. 1,613,000,000.

The widespread system of branches of the Kansallis-Osake-Pankki is also characteristic of its activity. The bank has not attempted to expand by means of the bank fusions and amalgamations so common of late years. On the other hand, by constantly increasing the number of its branches and extending its subsidiary net to the most distant corners of the land, it has brought new areas and new circles of customers under its influence. At the close of its first business year, the bank had five branches; at the beginning of the war it had forty. But the real expansion began during the last decade and the bank has now offices in 138 towns throughout the country.

The present position of the bank will appear from the following condensed balance sheet as of December 31, 1925.

Except for a couple of years at the beginning of the business, the bank has been able to pay its shareholders quite good dividends. For the year 1921 to 1923, 17 per cent. was paid, and for 1924 and 1925 dividends of 18 per cent were declared.

| ASSETS                                  |               |
|---|---------------|
|   | Fm.           |
| Cash .....                              | 85,688,830    |
| Government securities, etc. ....        | 46,610,567    |
| Foreign correspondents .....            | 26,765,418    |
| Foreign bills .....                     | 6,995,076     |
| Loans, correspondents' bills, etc. .... | 1,887,792,922 |
| Bank premises, etc. ....                | 28,713,216    |
| Sundry assets .....                     | 18,453,166    |
| Mortgage department .....               | 199,405       |
| Total .....                             | 2,101,218,604 |
| LIABILITIES                             |               |
|   | Fm.           |
| Capital subscribed and paid-up .....    | 150,000,000   |
| Reserve funds .....                     | 111,489,929   |
| Profit and loss account .....           | 38,625,182    |
| Deposits, current accounts, etc. ....   | 1,669,284,799 |
| Foreign correspondents .....            | 77,710,585    |
| Sundry liabilities .....                | 54,108,107    |
| Total .....                             | 2,101,218,604 |

## FINANCE AND POLITICS IN EARLY NEW YORK

[Continued from page 959]

"Dated at Albany May 11, 1814.

"ARCH W. MCINTYRE, Comp.  
"Dolls. 200,000."

In 1812 when the war with England broke out, the financial problem was acutely serious without a national bank to provide the necessary funds. The treasury was grievously embarrassed during the war years and encountered acute difficulties in floating its loans. In this emergency the Bank of America took a leading role. John Jacob Astor, as a customer of the bank, co-operated in supplying the Treasury with cash and in taking the Government bonds. The assistance of the bank was fully appreciated by Secretary of the Treasury Dallas who wrote to the cashier as follows:

"The extreme pressure at the War Office to provide payment for the army will prevent an immediate attention to the reimbursement of the loan. As soon as that object is accomplished, which will probably be prior to the first of July, I hope to make an arrangement that will be perfectly satisfactory to the bank. I rely much on the spirit of accommodation which your directors have manifested toward the Treasury and I think it will not be long before the occasion for asking indulgence will cease."

In the years following the close of the war H. C. Carey, one of the leading economists of his day, writing in one of the earliest American books on political economy, "The Credit System," page 27 states:

"Although we have made every exertion, we have been unable to obtain from the City of New York a return of the operations of but one institution, the Bank of America. During twenty-five years, from July 1812 to July 1837, its loans on personal security averaged \$42,945,000 and its losses \$2850 per annum,

being less than one-tenth of one per cent." This compared favorably with the Girard Bank, the leading institution of Philadelphia, which showed losses of one-half of one per cent.

In later years the Bank of America acted as fiscal agent of the Government in receiving the indemnity payment which President Andrew Jackson forced from France. The bank during the panic of 1837 was able to obtain assistance by drawing bills to the extent of \$200,000 on Rothschilds of Paris—the leading banking house of its day. Later, during the panic of 1857, the bank came to the aid of a large New York institution. To close the transaction, the directors of this bank wrote to the Bank of America as follows:

"At a meeting of the Board of Directors of the Bank held this morning, it was unanimously Resolved that New York State five per cent. Stock amounting to \$60,500 (Sixty thousand five hundred dollars) be transferred to The Bank of America in place of the notes held by them and the National Bank (if they prefer such arrangement) as security for the loans received from them and that interest at the rate of seven per cent. be paid until the repayment of said loans amounting to \$50,000.

"It was also unanimously Resolved that the thanks of this board be presented to the officers of The Bank of America for the prompt and liberal manner in which they met the request of this Bank for the loans and for their influence in increasing it from other sources."

A plan is now afoot to inaugurate a museum in the bank for the collection and display of the hundreds of important documents which show the many diverse and interesting connections of the bank—public and private—in the transaction of its business over a period of 114 years.

*Announcing* THE CONSOLIDATION OF

The  
**COAL & IRON  
NATIONAL  
BANK**

and the

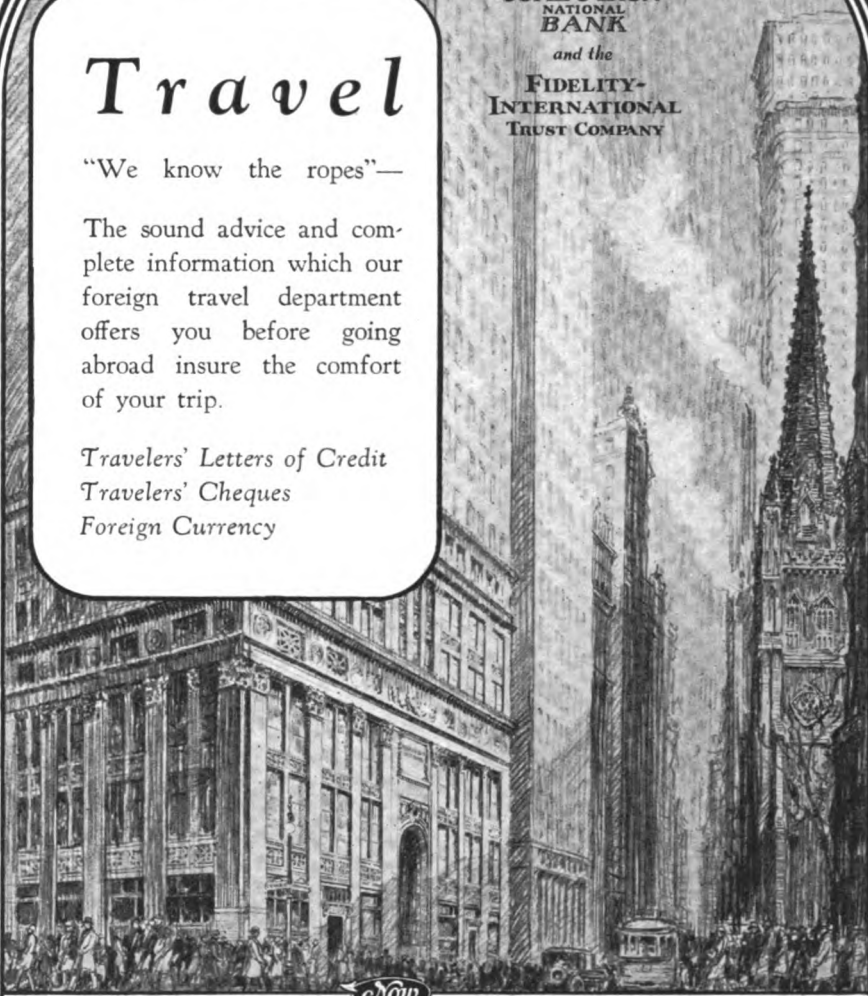
**FIDELITY-  
INTERNATIONAL  
TRUST COMPANY**

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"We know the ropes"—

The sound advice and complete information which our foreign travel department offers you before going abroad insure the comfort of your trip.

*Travelers' Letters of Credit*  
*Travelers' Cheques*  
*Foreign Currency*



*Now*

# **FIDELITY TRUST COMPANY** *of New York*

*120 Broadway — Equitable Building*

Total Resources  
Over Fifty Million Dollars

# YORK VAULTS

## *New York Federal Reserve Bank*

**The World's Largest and Strongest Vault Entrances**

The York Safe and Lock Company built and installed in the New York Federal Reserve Bank six (6) YORK Revolvable Vault Entrances, each 10 feet in thickness, the climax of mechanical genius and ingenuity.

In addition to the New York Federal Reserve Bank YORK has built at its factory in York, Pennsylvania, vaults for Federal Reserve Banks in the following cities :

|                     |                   |                     |
|---------------------|-------------------|---------------------|
| <i>Cleveland</i>    | <i>Boston</i>     | <i>Buffalo</i>      |
| <i>Philadelphia</i> | <i>Pittsburgh</i> | <i>Detroit</i>      |
| <i>Chicago</i>      | <i>Louisville</i> | <i>Jacksonville</i> |
| <i>Minneapolis</i>  |                   | <i>Little Rock</i>  |

YORK vaults are used by the U. S. Government, Clearing House Associations, and many of the leading Banks throughout the country.

Correspondence with nearest branch is welcomed by our Engineering department with banks contemplating new or enlarged vaults.

**Principal Builders of High Grade Vaults**

## **YORK SAFE and LOCK CO.**

**55 Maiden Lane**

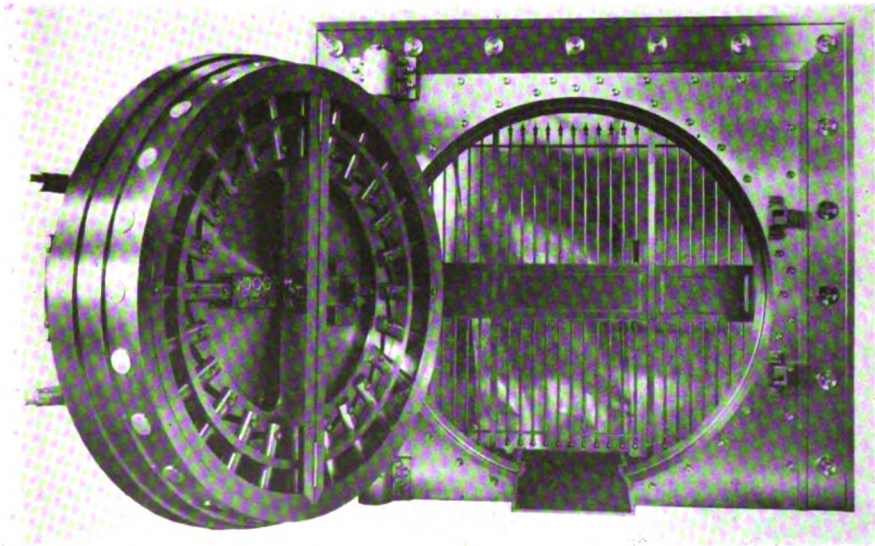
**New York**

### *Branches*

|                  |                |                      |                  |
|------------------|----------------|----------------------|------------------|
| <i>New Haven</i> | <i>Boston</i>  | <i>Philadelphia</i>  | <i>Baltimore</i> |
| <i>Cleveland</i> | <i>Chicago</i> | <i>San Francisco</i> |                  |

## EXAMPLES OF RECENT BANK BUILDING OPERATIONS

The Kingcheng Banking Corporation, a picture of the door to whose vault is shown below, one of the leading native banks in China with headquarters at Shanghai, has let contracts for a thoroughly modern bank building, fashioned largely along American lines of architecture and arrangement. The vault is being built by the York Safe & Lock Co., York, Pa. It will be equipped with a large circular door weighing approximately fifteen tons, probably the the largest vault door of this



type in China and one of the finest in the Far East. This vault will be finished like the best American vaults, with polished steel ceilings, polished wall plates, mirrors, etc. It will have a capacity of approximately 5000 safe deposit boxes. T. Chuang, who was educated in Tsing Hua University, Peking, supported by the Boxer Indemnity Refund, and who has inspected vault installations throughout America, is the architect.





The Wayne National Bank, Goldsboro, N. C., designed by Alfred C. Bossom, bank architect, New York.



The architects' sketch of the recently completed building of the National Bank of Girard, Girard, Pa., designed by and erected under the supervision of Morgan, French & Co., Inc., architects and bank engineers, New York.



Conference room on the main floor of the enlarged quarters of the American Trust Company, New York.



Trust officers' section and concourse of the enlarged quarters of the American Trust Company, New York.



The securities department in the enlarged quarters of the American Trust Company, New York.



The concourse of the enlarged quarters of the American Trust Company, New York, looking toward Cedar street.



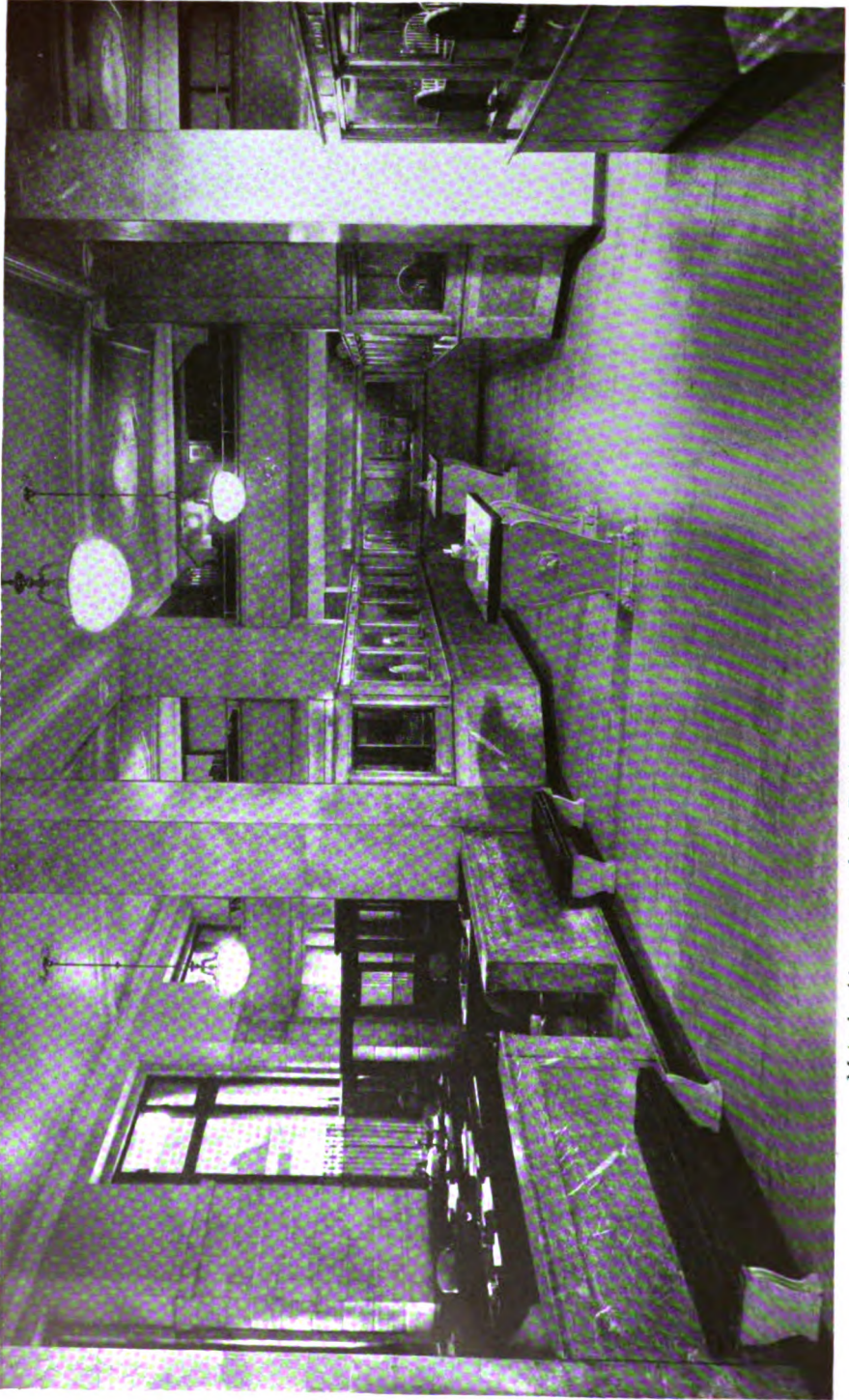
A close-up of the entrance to the Home Savings Bank, White Plains, N. Y., planned and constructed under the supervision of Holmes & Winslow, bank architects, New York. The large arched window over the carved stone doorway with its solid ornamented bronze doors, throws an abundance of light into the main banking room.



The new building of the Home Savings Bank, White Plains, N. Y., planned and constructed under the supervision of Holmes & Winslow, bank architects, New York. It is individual in character, of Italian Renaissance architecture, faced with variegated Indiana limestone, and is designed to house the bank alone.



The new building recently completed for the Irving Savings Bank, New York. Merkle & Elberth, New York, were the architects.



Main banking room of the Fidelity Trust Company's main office, New York.



The great window over the doorway of the Virginia Trust Company, Richmond, Va., has Crittall steel window casements. Alfred C. Bossom, New York, was the architect.





View of the trust department of the main office, Fidelity Trust Company, New York, showing the Broadway entrance to the bank.



The view from the Equitable building entrance to the main office of the Fidelity Trust Company, New York.

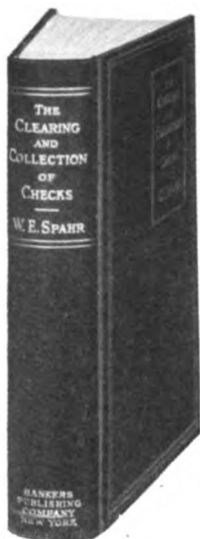


Officers' platform, main office of the Fidelity Trust Company, New York, as seen from the public space.



Officers' platform, main office of the Fidelity Trust Company, New York, as seen from the president's office.

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By Walter E. Spahr

along with a history of the use of checks in foreign countries as well as the United States; the development of the present clearing and collection system; the history and functions of clearing houses; the operation of the gold settlement fund; and the use of bank clearings as a business barometer.

The *American Banker* calls this book "a thorough and systematic treatise in a field as yet virtually untouched." H. Parker Willis, editor of the *Journal of Commerce*, New York, and former secretary of the Federal Reserve Board, says that "it renders a decided service to the banker who is still seeking light with regard to his own business interest in the matter of clearance."

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## BOOK REVIEWS AND NEW BOOKS

FUNDAMENTALS OF INVESTMENT. Edited by Samuel O. Rice. Chicago: A. W. Shaw Co. \$5.

AMONG the multitude of books on investment which now exist and which continue to come from the pens of various authors in a steady stream, this one has a claim to individuality in being the product not of one author but several. Nineteen bond men from fourteen investment houses have had a share in writing this book. All of them are said to be experts in the fields about which they write. The idea of compiling a "symposium" on investments evidently comes from the long standing impression that none is so qualified to write about a subject or a business as a man who is engaged in it. In spite of evidence to the contrary, men will insist on believing that knowledge can be gained only by actual personal experience. Hence too often the writings of the student and college professor are discounted as "theory," ignoring the fact that theory is merely the logical explanation of practice.

One would naturally expect, then, to find this book above all "practical." One would expect it to tell the reader what are the best bonds for each particular case and how to know them, and how to tell a good bond from a bad one. Instead it begins, as any college professor's book on the same subject would, with the necessary preliminary chapters on "The History and Origins of Investment," "The Field of Investment," "A General Classification of Bonds," "A Classification of Corporation Bonds," and "The Corporation Mortgage." Next come separate chapters on all the various types of bonds: governments, state and municipalities, railroads, public utilities, industrials, real estate bonds, and farm loan bonds, followed by chapters on "The

Organization of the Investment Banking Business," "Building an Investment Account," "Governmental Regulation of Securities," and "Investment Trusts." But in none of these does the prospective investor find the answer to his question, "How am I to tell a good bond from a bad one?"

One of the authors frankly admits the inability to tell the investor how to judge the merits of bonds, and falls back on the formula so dear to the heart of the investment banker, that "he [the investor] should select a bank or banking house of the completeness of whose investigations he is certain, on the capacity of whose judgment he relies, and in the honesty of whose recommendations he has confidence. Then let him take their advice." That's easier than educating the investor, and it makes the bond man's work easier. It has several disadvantages. First of all, the investor should know something about investments for his own protection against those banking houses which seem to be honest but prove not to be. Second, the profit of the investment banker is so bound up with his advice to his client that he cannot give unprejudiced advice. He must recommend his own issues. Third, the banking house, no matter how high its ideals, must work through its salesmen. And at the present time too many salesmen are only young college men who dress well and have a pleasing manner, but who know little more about investments in general than the customers they are trying to serve. Of course they are better equipped with facts about the issues on hand. Their sales manager will see to that. Outside that field they are at a loss.

The real trouble is that most investors have not enough energy to take the trouble to learn much about investments.

It may be that the constant flow of books on this subject will tempt more and more of them from time to time. If so, this book will render a service. But on its merits alone, it has little to justify its publication so long as Chamberlain's "Principles of Bond Investment" is still available.

THE CONFESSIONS OF A CAPITALIST. By Sir E. J. P. Benn. N. Y.: Scribners. \$5.

WHAT moved the author to write this book probably appears from the following (p. 15):

"Everybody is now talking business, except the business man. The politicians, the doctrinaires, the parsons, the long-haired youths and short-haired maidens from the universities—all have fixed views on industrial and commercial questions. Most of them are prepared to explain at a moment's notice how any piece of business should be conducted. From the smallest details right up to the highest organization of industry there is nothing upon which they are not ready to express an opinion, the view more definite and exact in inverse ratio to the experience of its author. In all this discussion the business man is silent."

This silence has been broken to some purpose, for Sir Ernest Benn speaks with a vigor and directness truly refreshing. Furthermore, he speaks out of a long, varied and successful business experience. He admits an income of \$50,000 a year, and insists that it is fairly earned. He is an unrepentant capitalist—a thorough believer in private enterprise, boldly declaring that in a long and diligent search he has failed to discover any material benefit that has ever reached mankind except through the agency of individual enterprise. He regards the whole movement for creating wealth by political agencies as a snare and a delusion.

From start to finish the book deals in trenchant fashion with the problems met

by the modern man of business; and it is a story based upon long experience, resulting in hard-won success. He points out the difficulties which business must encounter between what he regards as the mistakes of trades unions and the complaisance of politicians, speaking out plainly enough in all cases for any one to understand his exact meaning.

A book of this kind, growing out of experience, and setting forth the truth as the author sees it, forms a distinctly valuable and refreshing contribution to the business literature of the day. It may be profitably read by capitalists and all concerned with industrial problems.

RECOLLECTIONS OF THOMAS R. MARSHALL. Indianapolis: the Bobbs-Merrill Company.

IN presenting this "Hoosier Salad," the late Vice-President and Hoosier philosopher reveals a delightful personality whose activities ranged from the office of a country lawyer to the Vice-Presidency of the United States. Before reaching the latter position Mr. Marshall had been Governor of Indiana. While his services in both these stations were entirely praiseworthy, Mr. Marshall's career is interesting and instructive from its personal side chiefly. He gives us some very life-like sketches of the many prominent men with whom he was brought into official contact; but, after all, the reader will be attracted more to the quaint "Hoosier Philosopher" himself than to any of these distinguished persons.

It is difficult to find in recent American political life any one worthier of the respect of his countrymen than was Thomas R. Marshall. He had character, common-sense, and was a typical American product. About himself he had no illusions. He was absolutely unspoiled by office.

A charming vein of humor runs through the "Recollections," mixed with much sound philosophy and serious discussion of important problems. While

Mr. Marshall prided himself on being a loyal Democrat, it is not difficult to discover points of sharp divergence from the accepted party views of his time. His close contact with the people gave him a practical viewpoint which could have been made of great service in the settlement of some of the vexing problems which confronted the Administration of which he was a part.

Mr. Marshall's "Recollections" will be found of great interest to all students of American political life, of never-failing charm to those who delight in an original and independent character, and a splendid text-book of Americanism.

AMERICA AND GERMANY 1918-1925. By Sidney Brooks. N. Y.: Macmillan. \$1.50.

THE different stages in the relations between America and Germany are treated with understanding of the aims and governing ideals of the two countries. Beginning with the armistice, the author describes the conditions in Germany and the efforts required on the part of officials of the United States Government to relieve the situation due to near-starvation, the result of the allied blockade. Political unrest due to the sudden abdication of the emperor and the total collapse of a hopeful military campaign made Bolshevism a real threat to the stability, not only of Germany, but of the allies as well. How this danger was averted is told in an interesting way. Philanthropic work performed by the Society of Friends receives great credit for the successful relief work given undernourished children.

The financial aspect of the relations between America and Germany is fully discussed. The Dawes Plan is analyzed briefly. Attention is given to the probable effects of the stream of German loans from the United States which started with the German Government External Loan and has included loans to various German states, municipalities and industries. It is the opinion of the

author that these loans benefit both borrower and lender and that German loans will continue to be floated in our markets.

The statements are supported by official documents or correspondence. The manner of arranging this material is commendable as the train of the narrative is not broken by the introduction of such correspondence. No suggestion of the source-book which has been made up like a scrap-book of newspaper clippings is evident. The material is interestingly arranged and presented in readable form.

Two very popular figures are totally absent from this volume. They are the representation of the United States as a Shylock and the picture of the German would-be world conqueror. The different points of controversy are considered in a detached way, documents and correspondence being the basis of judgment. The book is objective, rather than subjective in its presentation.

No doubt, a condensed but comprehensive study of German-American relations will be welcomed by those who have a stake in Germany, either because of ownership of German securities, business interests in Germany or because of having relatives in that country. However, the book is of great value to the man who wishes to have a view of the situation unclouded by the propaganda of either side. As a pathway through a mass of opinions, distorted memories and old hatreds, this volume is commendable. Its reading should help in cooling any mind afflicted in such ways.

#### NOTES ON NEW PUBLICATIONS

BANKS seem to be engaging in publishing books of all kinds. A few months ago the beautiful publication of the Corn Exchange National Bank, Philadelphia, Pa., entitled "Byways and Boulevard in and About Historic Philadelphia," was reviewed in these columns. Recently the equally handsome "France and New England" published by the State Street Trust Company of Boston, Mass., was

received. Then from the Union Bank of Switzerland, Zurich, came a booklet "The Locarno Conference" filled with carefully selected views of the various delegations attending the Locarno conference, and of the region in which the conference was held. The Canadian Bank of Commerce sends in a copy of its yearbook, containing a review of business conditions in Canada during 1926, and a compilation of useful statistics on finance and trade in Canada. And finally, an item in the newspapers says that the State Bank of Laurens, Iowa, has published a cook book for its customers, filled with recipes for the use of corn products only. Novels and essays seem to be the only things that banks have not yet published, and they may even come to publish this sort of literature in time.

The Farmers' Loan and Trust Company, New York, has published a survey of "Instalment Buying" in which an estimate is made of the national wealth and savings, along with the volume of instalment buying, and the conclusion reached that "it is out of the great reservoir of income and savings that instalment buying is proceeding." It is very difficult to see the reasoning behind this, for if buying proceeds out of income or savings, there is no need for instalment buying. Instalment buying is necessary where income and savings are inadequate to purchase all the consumer desires.

The opinions of a number of prominent executives are incorporated into the report. There is little unanimity of opinion, most of them being colored by the way instalment buying affects their own businesses.

"In the final analysis," as they say, "instalment buying has as its basic problem the question of credit extension . . . The careful extension of credit by all of the parties concerned will probably do much toward keeping out the evils which are bound to be present in any system so widespread as instalment selling."

H. D. Walbridge Company, New York, have prepared a very interesting booklet on "The Banking System of Canada," pointing out briefly the salient points of that system and contrasting it with the system in the United States. In the booklet are also included brief histories of the ten large Canadian banks, summaries of their statements, and short price histories of their stocks and dividend records.

REMICK, Hodges & Co., New York recently published the twelfth annual edition of their list of legal investments for savings banks and trust funds in the State of New York. Several changes from last year are noted in the list.

### BOOKS RECEIVED

INVESTMENT TRUST ORGANIZATION AND MANAGEMENT. By Leland Rex Robinson. N. Y.: Ronald Press. \$6.

FINANCIAL INDEPENDENCE: HOW TO WIN IT. By Harvey A. Blodgett. N. Y.: Appleton. \$1.50.

CURRENCY, BANKING, AND FINANCE IN CHINA. By Frederic E. Lee. Washington, D. C.: Government Printing Office. 30 cents.

MONEY. By R. A. Lehfeldt. N. Y.: Oxford University Press. \$1.

THE ROMANCE OF WORLD TRADE. By Alfred P. Dennis. N. Y.: Henry Holt & Co. \$4.

### NEW BOOKS OF INTEREST TO BANKERS

ECONOMICS, PRINCIPLES AND PROBLEMS. By Lionel D. Edie. N. Y.: Crowell. \$5.

THE CHRONICLES OF THE EAST INDIA COMPANY TRADING TO CHINA 1653-1834. By Hosea B. Morse. Cambridge, Mass.: Harvard University Press. \$25.

BRIEF BUSINESS ARITHMETIC. By C. W. Sutton and N. J. Lennes. Boston: Allyn & Bacon. \$1.20.

BUSINESS ARITHMETIC. By Sutton and Lennes. Boston: Allyn & Bacon. \$1.40.

PAPER



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